

The opinion of the women illustrates that in order to increase the enrolment of the girls in school, motivation and awareness of the parents as well as improvement in the economic condition of the household is critical. Sustainable income earning opportunities through FDF credit programme would help to increase enrolment in primary school but social awareness is also needed. FDF should include awareness raising of the parents on the importance of girls education through the group meetings.

Women were asked how their daughters' lives would be different from theirs; all said that their daughters' lives will be different. Most of the women put emphasis on their daughters' education. The responses in Box 6 illustrate that women think that education plays an important role in life and education is an important factor in improving the condition of their daughters' lives.

**Box 6 Changing attitudes on girls education**

" we want to see our daughters educated, so that they can get jobs; an educated daughter would be able to choose their own husbands; we don't want our daughters to go through the same sufferings that we have gone through."

" my daughter is not going to put thumb print like me."

" we do not want our daughters to raise cattle like us, they should get jobs outside home"

In summary, the FDF-HSS data does not provide sufficient information on the impact of FDF on enrolment and school attendance of primary school aged children of the borrowers to any degree of significance between either the before and after situation or in comparison to the control group. However, the quantitative survey shows a bias towards boy's education over girl's which needs to be addressed. Son's education over the daughter's is still preferred by the borrowers and their husbands. But the focus group interviews reveal that there is changing attitude with many of the women feeling that their girls must go to school. More work needs to be done in linking access to credit with improved school enrolment and attendance in the FDF target villages. The FDF programme should enhance its social awareness programme for the borrowers with the objective of bringing about a change in the borrowers' attitude on social issues such as girls education.

One of the improvements, therefore, must be to strengthen the emphasis on girls education in the FDF villages through awareness building programmes as well as other actions to ensure that girls attend primary school.

### Child Labour

Discussions in the focus groups on child labour issues indicated that it exists among the borrowers' households. Children work during the harvest season and during the school vacation as wage labourers. The poor economic condition of the household was given as the main reason for sending children to work. Before being involved in the FDF programme,

more children from the borrowers groups were working as wage labourer. The FDF-HSS shows that before taking the loan 28% borrowers sent their children to work for wages. Most of the children were working as agricultural labourer. After taking the loan only 17%

***Before taking the loan 28% of the borrowers sent their children to work for wages. After taking the loan only 17% are doing so.***

borrowers are sending their children for wage work. Again while no positive association can necessarily be made to credit for this marginal improvement, the alleviation of the financial constraint on

households can act as a powerful inducement not to send their children to work for wages, often at the expense of their education. Only 6% of the non-borrowers' children are working outside the home for wages, possibly because of the younger age group of these women and their children.

The credit programme of the FDF can play an important role in improving the economic condition of the poor households which could lessen the number of children used as wage labourers.

#### **5.4 Impact on health, nutrition and access to improved water and sanitation**

Although credit is the central component of the FDF, it has been emphasised that it should be regarded as an entry point for improving access to basic social service. The FDF is a community-based microcredit scheme with extensive participation of the borrowers who are also its primary stakeholders. In its initial phases, the components of health, nutrition, education, and water supply and sanitation were not formally integrated since considerable effort was needed in first setting up the credit scheme and seeing if it can be financially sustainable.

But one of the key programme goals of the FDF is to integrate credit with improved access to basic social services provided by different government programmes which are also supported by UNICEF in selected villages. Group members of the FDF programme are encouraged to participate in such programmes as environmental sanitation, literacy classes, and community school. The extension workers identify the interested group members and prepare lists for the Project Manager. The project manager provides assistance to the women to obtain basic services such as latrine, hand pump or water connections. During the health training in the centre, information on health services is provided and women are encouraged to use the hospital, health unit and mobile clinic. During the discussions, women borrowers mentioned that they use the health unit and mobile clinic. The government's mobile health clinics visit the CDA offices and El Aziza, El Wakf and Farshoot respectively. Some women in Al Aziza have taken advantage of family planning services of the mobile health clinic.

In each location there is an attempt to integrate other components such as literacy classes, health, nutrition, and hygiene messages which are discussed at the monthly centre meetings. In some of the centres, social issues such as genital mutilation and women's health issues are introduced. Gender issues have not yet been systematically and formally introduced in the centre or group meetings. Discussion of such issues is left to the extension workers and group leaders at the centre meetings.

#### Health and Nutrition Awareness Training:

Health and nutrition awareness training is conducted at the monthly centre meeting. The health co-ordinator of the FDF programme conducts this training and resource persons from the government department or other respective institutions are also invited to provide training. During the field visits it is observed that the health co-ordinator is well accepted by the group members and has very good rapport with them. The extension officers conduct the training for those group members who had not received health training from the health co-ordinator. The extension/loan officers are also responsible for the follow up training in their respective centres.

The following subjects are included in the health and nutrition awareness training.

#### First Aid Measures:

- how to provide and care for wounds, burns, fractures, intoxication, haemorrhage and coma;

#### Paediatrics:

- Immunisation;
- Nutrition of infants and children: breast feeding, weaning practices, nutrition of children and adolescents;
- Infectious diseases: Diarrhoea diseases, acute respiratory tract infections (e.g., pneumonia and measles), etc. hepatitis.
- Parasitic diseases.

#### Reproductive Health:

- Basic anatomical consideration of female genital system;
- Complication of early marriage;
- Family Planning;
- Female circumcision and its health, social, psychological side effects;
- Normal pregnancy: physiology, changes that occur during pregnancy, importance of antenatal care, minor problems, early warning symptoms/signs.

***Women found the health and nutrition training very useful.***

During the focus group discussions women talked with great interest about the health training, especially issues related to nutrition, personal hygiene, and first aid. The interviews with the women show that women found the health and nutrition training very useful. The nutrition training has changed the earlier attitudes of women towards certain foods and provided them with new knowledge on nutrition. Health training has brought awareness among women about health issues, immunisation, cleanliness, personal hygiene, maternal health, and different types of diseases. The health training has also motivated women to use health post/hospitals and mobile clinic. Box 7 provides the responses of women on what they have gained from the health and nutrition training.

**Box: 7: Changing attitudes on health and nutrition**

" we were not aware about the nutritional value of many foods. We had prejudice about feeding children eggs. Now we give them eggs, and milk whenever we can afford it."

" we used to eat beans but we thought we eat beans because we were poor, now we know about the nutritional value of beans ... we have learned that vegetables have vitamins."

" we did not know that children need specific foods; we have learned what type of food we should give to the children."

" we cover our food now, clean our hands before taking food."

" we have learned how to make ORT. Before, whenever we got sick we did not go the hospital or health post. Now we go to the hospital/health post and use the mobile clinics."

The issue of female circumcision is a part of the health training. Women were asked about their opinion on this issue. It appeared from the focus-group discussion that women's

***In Dar el Salam women said that they do not want their daughters to be circumcised.***

attitude towards this traditional practice have not changed. They feel if their daughters are not circumcised, no one would marry them. However, their perception about the procedure of the operation has been changed. Out of the eight group interviewed, seven groups said that their daughter should be circumcised but it should be done by the doctor or nurse not by the barber. In one group interview in Dar El Salam women said that they do not want their daughters to be circumcised.

Treatment of Diarrhoea:

There is a significant difference in the use of ORT between the borrowers and non-borrowers. The FDF-HSS data shows that 87% borrowers and 63% non-borrowers would treat their children with ORT if they had diarrhoea (Table 13).

In terms of preparation of ORT, data shows 85% of the borrowers but only 50% of the non-borrowers know how to prepare ORT. Seventy-two per cent of the borrowers learned to prepare ORT from FDF health training programme, while 35% of the non

borrowers learned from the physician. Television also played a role in teaching preparation of ORT for the borrowers. Twenty three percent of the borrowers learned from television in comparison to 13% of the non borrowers.

**Table 13: Treatment of Diarrhoea**

Treatment	Borrowers	Non-borrowers
ORT	87%	63%
Traditional medicine	3%	15%
Antibiotic	2%	15%
Others	1%	2%
Don't know	10%	20%

### Immunisation

The FDF-HSS data shows that the immunisation rate of children from the borrower and non-borrower groups is very high for polio and viral hepatitis (Table 14). However, there is some difference between the borrowers and non-borrowers groups with regard to DPT and measles. The reasons for some differences in the case of measles and DPT is unclear since both groups have similar access to immunisation and there is generally a high degree of awareness of its need.

**Table 14: Immunisation of Children**

Vaccine	Borrowers	Non-borrowers
Polio	98%	95%
Viral Hepatitis	85%	86%
Measles	92%	76%
DPT	95%	81%

### Birth Certificate

Data on birth certificate of the children of the respondents shows that 96% of the borrowers, and 100% of the non-borrowers' children have birth certificates.

### Use of Health Services

With regard to use of rural health units there is no significant differences between the borrowers and the non-borrowers groups. The FDF-HSS data shows that 84% borrowers

and 80% non-borrowers use rural health units (Table 15 ). More non-borrowers (20%) used private physicians compared to the borrowers (15%).

**Table 15: Use of Health Services**

Service	Borrowers	Non-borrowers
Rural Health Unit	84%	80%
Private Physician	15%	20%
Religious Person	1%	-----

### AIDS Awareness

With regard to AIDS awareness there is a significant difference between the borrowers and non-borrowers. Sixty-eight per cent of the borrowers said they know about AIDS in comparison to 48% non-borrowers (see Table 16 ). Television was a major source for information on AIDS for both the borrowers and the non-borrowers. However, 29% of the borrowers learned about HIV/AIDS prevention from the FDF health training programme. This suggests that the FDF health training has been useful in bringing about AIDS awareness among the borrowers.

**Table 16: Source of AIDS Awareness**

Source	Borrowers	Non-Borrowers
Physician	3%	5%
Newspaper	1%	5%
Relatives/friends	1%	8%
TV	66%	82%
FDF	29%	-----

### Family Planning:

FDF health training seems to have a significant impact on practice of family planning by the borrowers. The FDF-HSS data shows that 61% of the borrowers practice family planning in comparison to 32% of the non-borrowers. In terms of method, more non-borrowers use pills than the borrowers (Table 17).

**Table 17: Practice of Family Planning**

<b>Practice of family planning</b>	<b>Borrowers</b>	<b>Non-Borrowers</b>
Yes	61%	32%
No	39%	68%
<b>Method of family planning</b>		
<b>Pills</b>	42%	56%
<b>IUD</b>	45%	44%
<b>Injection</b>	13%	-----

Nutrition

There is significant difference between the borrowers and non-borrowers about knowledge of child nutrition and what type of food is good for health. The FDF-HSS data on breast feeding from birth to 6 months indicates that 100% of the borrowers and 94% of the non-borrowers have breast fed their child. But in terms of knowledge about what types of food is good for the children, data shows that 87% borrowers know about nutritious food in comparison to 68% of the non-borrowers (Table 18). Ninety-two per cent of borrowers said they know what type of food is good for their health in comparison to 76% of the non-borrowers. The FDF health and nutrition training has helped to increase the knowledge of the borrowers on child nutrition needs. This finding is similar to the finding of the focus group interviews with the women. Although, measures of weight for height and height for age of children were considered, in view of the large number of borrowers without small children, this measure could not be used.

**Table 18 Knowledge on Child Nutrition**

<b>Knowledge on Nutritious Food for Children</b>	<b>Borrowers</b>	<b>Non-Borrowers</b>
Yes	87%	67%
No	13%	33%

Income & Family Nutrition:

Respondents were asked how often their family eats meat/chicken/fish, vegetables and fruits. The objective of this question was to see whether the income of the borrower has any impact on family nutrition. Data shows that chicken/meat/fish was eaten twice a week

by 21% of the borrowers' families in comparison to 15% of the non-borrowers' families. Vegetables and fruits were eaten twice a week by 34% of the borrowers' families in comparison to 17% of the non-borrowers' families. The borrowers families are eating more nutritious food and are more aware of nutritional needs compared to the non-borrowers. This is likely due to both an improvement in the income of the family as a result of the income generated from the credit, the income being generated by the

***Borrowers families are eating more nutritious food and are more aware of nutritional needs compared to the non-borrowers.***

women who have some degree of control over its use and their preference for spending it on food, and the health and nutrition training imparted at the centre meetings.

Improved access to water and sanitation

There is no significant difference between the borrowers and non-borrowers with regard to having pipe water. The FDF-HSS data shows that 38% of the borrowers and 42% of the non-borrowers have water pipe installed in their home. Connection of water to the home requires money. Borrowers' income from the credit activity is not enough to get water connection to the home. The FDF does not provide any credit for water connection.

The FDF-HSS data on toilet facility shows that 87% borrowers and 76% non-borrowers have toilets ( Table 19 ). More borrowers have toilet facilities than the non-borrowers. After joining the FDF, 34% borrowers installed toilets. It seems that the FDF programme has helped raise awareness of the borrowers as well as to make some linkages with the sanitation services.

**Table 19: Toilet Facility**

	Borrowers	Non-Borrowers
Yes	87%	76%
No	13%	24%

In addition to health services, women are assisted for obtaining hand pump and latrines. Data indicates that more women in El Aziza village have taken advantage of getting improved access to water and sanitation than the women from Dar El Salam, El Wakf and Farshoot. Out of the total number of borrowers in El Aziza, 37% have constructed latrine in their homes. However, in Dar El Salam and Farshoot support for improved sanitation is weak. In El Wakf 5% of the women have installed hand pump in the homestead.

Data collectors were asked to observe whether the borrower keeps soap by the water

pump. The objective of this observation was to find out about the effectiveness of personal hygiene message. The FDF-HSS data suggests that 93% of the borrowers keep soap by the water pump.

At present, the linkages of the FDF programme with access to water and sanitation is weak. One of the reasons for the weak link is the fact that many of the poor households cannot afford to pay for the initial costs, such as the connection fee for obtaining these services. Another reason is that there is no access to improved services around the FDF locations.

Women mentioned that they need small loans for basic social services such necessities as water connection into their houses, installing pit latrine, and electricity connection. The possibility of the FDF being extended for providing credit for water and sanitation to the group members should be explored. Additional loans for such services, repayable over a longer-term but with interest, would help improve the living condition of the poor households.

***Many of the poor borrowers cannot afford to pay for the initial cost of a water connection, even after income from their credit activities. Additional credit for water and sanitation is necessary.***

## 5.5 Womens Empowerment

### Women's Contribution to Family Income

The FDF-HSS data indicates that 67% of the borrowers, compared to only 41% of non-borrowers contributed to the family expenses, in part due of course, to the additional income from the FDF credit (Table 20). This contribution has a positive implication for family subsistence, child nutrition and children's education. Focus group interviews suggest that women spent their earning from the loan activities on family food needs and children's education.

**Table 20: Contribution to the Family Expenses**

<b>Respondent</b>	
Borrowers	67%
Non-borrowers	41%

### Decision-making

Question on decision making in the household were asked in terms of decision on taking loan, buying food, larger purchase and children's education. The objective of these

questions was to examine the extent to which women's income earning opportunity has influenced their decision making in the family.

**Taking a loan:** The FDF-HSS data shows that 58% of the borrowers said that both the husband and wife took the decision to take a loan, while only 3% said that husband decided for her to take loan; and 39% of the borrowers said that they took decision by themselves. Among the latter women many are heads of the households.

**Household purchases:** The FDF-HSS shows that the decision on buying food is taken by 41% of the borrowers, however, decision on buying larger purchase on their own is made by only 28% of the borrowers (Table 21). These women are from the female headed households. In the case of the non-female headed households, women have less to say in regard to larger purchase for the family. A majority of the women said that decisions on food and larger purchase is done by both the husband and wife. When borrowers were asked during the focus group interviews, who keeps the income of the women, almost all the married women said that they give their income to the husbands. Women were also asked whose decision is final in buying household goods, and almost all the women said that their husbands' decision is final.

**Children's education:** With regard to decision on children's education, 60% said

**Majority of women said that decisions on food and larger purchases are done by both husband and wife. Almost all married women said that they give their income to their husbands.**

that both the husband and wife take the decision, 30% of women said that they make decisions on children's education. Among these women most of them are widowed or

divorced.

**Table 21: Women's role in household decision-making**

	Buying Food	Buying Larger Purchase	Children's Education
Myself	41%	26%	30%
Husband	6%	20%	22%
Both husband and wife	52%	39%	60%
Other family member	4%	4%	4%

**Control over income:** Women's control over income is an important indicator for women's status in the family. Before joining the FDF programme most women were not engaged in income generating activities. Some women were involved in chicken rearing,

small trading and handicrafts. They were earning a small amount of cash. After joining the FDF's women became involved in income generating activities in a substantive way and earned more money than before. The question is how much control do women have over their income? Discussions with the women suggests that almost all the married women give their income to their husbands. With regard to decision making in terms of buying foods or family assets, both husbands and wives make the decision. However, if there is a difference in opinion, the husband's decision is final.

Women borrowers were asked whether their husband discuss more things with them than before. They said that they did not have much things to discuss before, but since they became involved in income earning activities through FDF programme, there are more things to discuss with their husbands. Women borrowers felt that their importance in the family is getting recognised, and they are not looked upon as a burden for the family as before, since they have started to bring income for the family.

***Women borrower felt that their importance in the family is being recognised and they are not looked as a burden for the family as before.***

The above discussion indicates that women's involvement in income earning activities did not provided them with control over their income, however, it has created a precondition for women to gain importance in the family.

***Daughter's marriage:*** With regard to decision on daughter's marriage, 24% borrowers and 33% non-borrowers said they would take decision. Forth-seven per cent of borrowers and 37% non-borrowers said both husband and wife would take decisions. Twenty-two per cent of borrowers and 26% borrowers said that their husband would take decisions. There is, therefore, no significant difference between the borrowers and non-borrowers. **Household Work Load:** Women were asked whether their household work load has increased because of loan activities. Only 11% women said that their workload has increased a lot, while 45% women said their household workload increased a little and 44% said their household work had not increased. With regard to help in household work 76% of the borrowers and 78% non-borrowers said that they do not get help from their husbands in household work.

**Change in Relationships** Borrowers were asked whether they feel that their relationships with their husbands or in-laws have improved after taking loan. Forty-six per cent of the borrowers said that their relationships have improved with their husband or in-laws. Fifty-four per cent said that it had not improved. Borrowers were also asked whether their husbands listen to them more after taking the loans, 76% said that they feel that their husband listen to them more than before.

Mobility Respondents were asked how often they go out of the house. The FDF-HSS data shows that 21% of the borrowers go out every day in comparison to 13% of the

***In Suhag, the women borrowers call their meeting room the 'Dream Room'. The FDF has helped women come out of their isolation.***

non-borrowers. Forty-three per cent of the borrowers and 37% non-borrowers go out once or twice a week respectively. The FDF programme activities have increased women's mobility. Focus group

interviews with the borrowers suggest that women like this new freedom and enjoy going to the centres and meetings. Previously, women seldom went out. In one of the villages in Suhag, the women call their meeting room the 'Dream Room'.

Traditionally, women's mobility in rural Egypt is limited by customs. Women's involvement in the FDF programme have increased women's mobility significantly as shown in their responses in Box 8.

**Box 8: Changing attitudes on women's participation**

"before we did not go out of the house, we did not have a place to go. Before, our husbands did not like that we go out. Now they don't say anything. Now we go to the group meetings, centre meetings, and the CDA office. We like our freedom".

"before we did not go much to the health post, mobile clinic and market. Now we take the children to the health post, we go to the shop to buy food".

The FDF programme intervention has helped rural women to come out from their isolation. Women's mobility and access to information has increased through their participation in the group and centre meetings. Women's increased mobility helped them to take advantage of health services and literacy classes with implications for improving the condition of women and children.

Political Awareness Both the borrowers and non-borrowers were asked whether they had participated in the last election. There was no difference in terms of the participation of the borrowers and the non-borrowers in the election. Only 14% of the borrowers and 13% of the non-borrowers participated in the election. With regard to the question - who won the election, data shows that 32% borrowers and 24% non-borrowers knew which party won the election.

In summary, the health and nutrition training programme in the FDF has raised awareness of the women significantly in health and nutrition issues. There is no doubt that the FDF credit have contributed at least to some extent income generation for the women. While access to credit is necessary, it is insufficient to provide women with power to have control over their lives. It should be noted, that the FDF programme has not as yet provided gender training or social awareness training to the borrowers for a qualitative long-term empowerment of poor women.

Gender training and social awareness training should be provided to the group members. Gender training would help women to understand their position in the family and in the society. Empowerment of women is critical for improvement of the condition of the women and children.

## **5.6 Administration and management**

### Borrower/loan officer ratio

There is a large number of extension officers in relation to the number of group members, especially in El Aziza and Dar El Salam. Table 22 shows the ratio of group members and borrowers. The ratio of group members and the extension officers is 59 and 105 in El Aziza and Dar El Salam respectively. The number of group members covered by each extension officer is low in comparison to the experience of NGOs working in the credit programme in Bangladesh. In the BRAC model in Bangladesh, each village organiser covers approximately 400 borrowers.

An effective programme implementation strategy is essential for proper utilisation and building up the capacity of the FDF project staff. The number of group members per extension officer should be increased. In order to maintain the operating costs down, further expansion of the FDF programme should be in the existing and adjacent villages without recruiting any additional extension officers. The discussions with the CDA board indicate that each extension officer could cover more than 200 group members/borrowers. There should be a field programme operation plan for each CDA in terms of number of total group members who should be covered by each extension/loan officer.

**Table 22: Ratio of Borrowers & Extension Officers at end 1997**

	<b>EL Aziza</b>	<b>Dar El Salam</b>	<b>El Wakf</b>	<b>Farshoot</b>
No. of Centres	17	27	23	48
No. of Groups	82	135	107	242
No. of group members	411	627	539	1592
No. of Extension Workers	7	6	5	11
Group members/ Extension worker ratio	59	105	108	145

#### Capacity Building of the Project Staff

The project staff, i.e., the project manager and the extension officers are the front line of the delivery mechanism. Their role and capacities will determine the cost effectiveness and the coverage of the FDF. Discussions with the project staff (project manager, accountant) indicate that they need training on record keeping, and developing plans for viable income generating activities for the borrowers.

In addition to savings and loan operations the role of the extension officers should include mobilisation of the group members to obtain basic services, to develop awareness of the group members on social issues and to provide technical and institutional services needed to the group to develop viable organisation of the rural poor women. A review of the training programme for the extension officers indicate that they received the following training:

- Communication Skills;
- Reproductive health;
- Paediatrics;
- First Aid Measures.

The communication skills training should include how to motivate group members to become active participants in the FDF programme activities such as literacy training. The discussions with the extension officers indicate that they have knowledge on health and nutrition issues, however they lack skills in discussing social and gender issues. This is partly because the training programme for the extension officer does not include any training on

social awareness and gender and development issues. The extension officers require skills on assisting groups to develop their capacity to become as self-sustaining groups. The extension officers also need orientation on selection of the target group in line with UNICEF's objective which is to improve the condition of the children. The training programme for the extension officers should include:

- social mobilisation;
- social awareness and gender issues;
- motivating the group members;
- selection of target group in line with FDF's objective, with particular emphasis on achieving impact on children;
- developing groups as self-sustaining units.

The training of extension officers on social mobilisation and social awareness and gender issues would help them to mobilise the group members around social and gender issues which affect their daily lives. Training on right target group selection would bring more positive impact of the programme in terms of improving the condition of the children. For sustainability of the FDF, the capacity development of the group is critical. The capacity development of the group depends on the skills of the extension workers.

#### Institutional Sustainability of FDF

The institutional sustainability of the FDF depends on various levels: (i) CDA level; (ii) group level and (iii) national level. This paper discusses the group level and CDA level sustainability.

#### CDA Level:

The FDF model has been developed with the support of the government and in particular the Governorates and CDA's. Each FDF programme is operating fairly independently with limited but regular oversight by UNICEF's field co-ordinators. There are two UNICEF field co-ordinators, one is responsible for the health and nutrition programme and the other for monitoring the credit programme. UNICEF remains involved with major policy changes, auditing and external financial analysis, off-site training, and raising funds for the expansion of FDF programme.

The CDA has demonstrated that it can manage the FDF programme at the present scale. However, for expansion and long term sustainability, the capacity of the CDA needs to be further developed in the following areas:

- proposal for seeking funds for expansion of the FDF
- cost effective field operation strategy;

- skills for monitoring of larger loan portfolio;
- making linkages with other formal financial institutions for
- obtaining loan for the group members.

Group Level:

The group's internal management capacity is critical for sustainability of the FDF programme. Review of FDF's group formation strategy as well as the credit and savings programme indicate that FDF's training programme for the project manager, extension officers, and group leaders should be focused more on building up self-reliant and viable groups. A well trained project manager, extension officers and group leaders will strengthen the FDF programme in the following areas:

- a) integration with the basic social services provided by government and UNICEF supported programmes;
- b) managing and accumulation of savings fund by the group members;
- c) obtaining loans from other formal financial institutions in the country.

Building up the group's internal self-management capacity also results in less dependency of the groups on the extension officers. The extension officers would be able to spend more time to organise more new group members. In view of these considerations, including high unmet demand in the existing villages, it is suggested that expansion of the FDF programme should be in the existing regions instead of in the new regions. Expanding to new areas with its limited experience the FDF model credit programme could be a risk for institutional sustainability.

(iii) National level

Further expansion of the FDF and its sustainability also require a national organisation to manage the FDF. This is one key challenge facing the FDF which is discussed in detail in the Management Plan 1998-2000.

## 6. SUMMARY OF INSIGHTS: STRENGTHS, WEAKNESSES AND RECOMMENDATIONS FOR ENHANCING THE IMPACT OF FDF

The Family Development Fund (FDF) has an integrated approach to its microcredit programme intervention - combining both economic and social gains for poor women and children. The FDF approach recognises that poverty is multifaceted and the strategy of FDF programme is developed to make linkage of credit with basic social services. The impact of the FDF in terms of its strengths and recommendations for improvement is summarised below.

**Table 23: Synthesis of FDF's Strengths and Weaknesses**

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<b>1. Grassroots level community-based organisation and building local capacity</b>	
<ul style="list-style-type: none"> <li>FDF has been able to develop a successful microcredit model using grassroots level community based organisations. It is managed at low costs and with minimum of bureaucracy.</li> <li>The use of loan officers from the community itself has helped to engender confidence in the borrowers. These loan officers now serve a role models for the community to emulate for their daughters.</li> </ul>	<ul style="list-style-type: none"> <li>The capacity of the group and the CDAs needs to be built further in certain specific areas.</li> </ul>
<b>2. Reaching the poorest</b>	
<ul style="list-style-type: none"> <li>FDF has been successful in reaching the poorest of the poor. The flexible loan size and the criteria of the income and size of leased land coupled with local level knowledge and targeting by the community has helped in this regard.</li> </ul>	<ul style="list-style-type: none"> <li>There are many in the target villages who are poorer than those in the FDF. They are reluctant to take credit but efforts should be made to assess what measures can be taken to bring them within the ambit of the FDF in future expansion.</li> <li>Most of the women come from the older age group, only 19% of the members are 20-30 years of age, the primary child bearing age. More effort can be made to reach women with small children.</li> </ul>
<b>3. Group formation and group solidarity</b>	
<ul style="list-style-type: none"> <li>The process of group formation has brought women together from the same socio-economic background and helped to build solidarity among them. The members help each other with loan repayment and family matters.</li> <li>Leadership training to the group leaders has provided them with self-confidence and courage. Group leaders are able to solve problems when there is a delay in loan repayment. The training has helped to develop grassroots level leaders.</li> </ul>	<ul style="list-style-type: none"> <li>The groups are not sufficiently well developed and independent to take other initiatives in terms of tapping into other facilities and outside resources. They are heavily dependent on the extension workers.</li> <li>There is a need to further develop the management capacity of the group which is critical for long-term sustainability.</li> </ul>

<b>4. Savings, credit and income earning opportunities</b>	
<ul style="list-style-type: none"> <li>The loan size varies in accordance with the activities. Flexibility in the loan size has helped to reach the poorest of the poor and to allow them to decide on the pace of increase in the size of their loan and the type of income-generating activity they should pursue.</li> </ul>	<ul style="list-style-type: none"> <li>FDF has successfully instituted a group savings scheme for the borrowers but the amount of savings per borrowers is low.</li> <li>While credit has created income earning sources, it has not provided most women with a steady source of income. Cattle rearing provides income from time to time but small trading activity provides a more regular income. As a result there is a high dependence on repeat loans, which it appears may not always be available to them given the large number of first time borrowers despite the FDF operating for four years.</li> <li>There is also a need for a gradual increase in loan size and diversification of income generating activities.</li> </ul>
<b>5. Asset building</b>	
<ul style="list-style-type: none"> <li>The FDF has provided the poorest the opportunity to acquire some assets to earn income. By comparison the situation of the control group of non-borrowers has not changed.</li> </ul>	<ul style="list-style-type: none"> <li>Loans are needed over a longer period of time to own assets which can provide a steady source of income in the long-term.</li> </ul>
<b>6. Impact of FDF on children's education and child labour</b>	
<ul style="list-style-type: none"> <li>There has been an increase in enrolment of primary school age children with the percentage of children not attending school dropping from 23% before taking a loan to 16% after taking the loan.</li> <li>Before taking the loan 28% of the borrowers sent their children to work for agricultural wages. After joining FDF, this dropped to 17%.</li> </ul>	<ul style="list-style-type: none"> <li>More effort is needed to ensure that the children of the borrowers of primary school age attend school. Efforts should be made to raise awareness on girl's education and examine ways and means for increasing enrolment of girls. It may be useful to examine if the procedure in FDF's Lower Egypt location whereby the granting of loans is conditional on families withdrawing children from child labour may be applicable in Upper Egypt for primary schooling of boys and girls.</li> </ul>
<b>7. Impact on health and nutrition</b>	
<ul style="list-style-type: none"> <li>The greatest impact of the FDF has been on health and nutrition. The training imparted has helped women gain knowledge in a number of areas such as nutrition, first aid, and treatment of diarrhoea.</li> <li>By integrating visits by the mobile health clinics along with training, the use of these clinics and the health of the borrowers has improved.</li> <li>The borrowers' families eat more nutritious food than before and consume more fish/chicken/meat than the non-borrowers families.</li> </ul>	
<b>8. Impact on improved access to water and sanitation</b>	
<ul style="list-style-type: none"> <li>After joining FDF, 35% of the borrowers have installed toilets in their home.</li> <li>Hygiene practices are generally good among the borrowers with over 93% having a soap by the side of the water source in their house.</li> </ul>	<ul style="list-style-type: none"> <li>Given the relatively short life of the FDF at present, the returns from the self-employment activities engaged in with the credit is generally insufficient to meet the initial capital costs for gaining a water connection. Additional, credit repayable over a longer period of time, for water and sanitation should be considered.</li> </ul>

<b>9. Adult Literacy training</b>	
	<ul style="list-style-type: none"> <li>• Participation of women in the FDF literacy is low because of: <ol style="list-style-type: none"> <li>1. No systematic plan in the FDF to conduct compulsory literacy training;</li> <li>2. The older age group of the FDF borrowers;</li> <li>3. Lack of social awareness and motivation of the group members.</li> </ol> </li> </ul>
<b>10. Dependency on social aid</b>	
<ul style="list-style-type: none"> <li>• The number of borrowers dependent on social aid viz. support from relatives, friends and charity for day-to-day subsistence has declined from 9% to 1% .</li> </ul>	
<b>11. Women's empowerment</b>	
<ul style="list-style-type: none"> <li>• 67% of the borrowers contributed to family income compared to only 41% of the non-borrowers. Increase in women's income has implications for the nutrition and education of their children since most women indicated that these were the first purposes for which they used the additional income.</li> <li>• 46% of the borrowers said that their relationship with their husbands has improved. They feel that their husband listens to them more and their mobility outside the home has increased.</li> <li>• Women put greater emphasis on their daughter's education and want them to play an important role in life and get a job outside the house.</li> </ul>	<ul style="list-style-type: none"> <li>• Social awareness and gender training is necessary to further empower women in the poor communities and raise their awareness.</li> </ul>
<b>12. Administration and management</b>	
<ul style="list-style-type: none"> <li>• The FDF is managed by the community itself. The project manager, cashier and accountant, the extension workers are from the community and the Board of Directors are from the respective CDAs.</li> <li>• Training is provided by UNICEF to build local-capacity.</li> </ul>	<ul style="list-style-type: none"> <li>• There are more extension officers in relation to the number of groups and borrowers. At an average of about 120 borrowers per loan officer, this number is low compared to what is found in India or Bangladesh.</li> <li>• The project staff need training on record keeping and field operation strategy.</li> <li>• The CDA is able to manage the size at present but for long-term growth and sustainability the capacity of the CDA members will also have to be built further.</li> </ul>

## Recommendations

**1. More emphasis should be given to target the poorest women with children.**

The FDF has succeeded in reaching poor women, although there are many poorer women who have not yet accessed its credit facilities.. However, the current age profile and criteria for selection of the poor has resulted in the selection of more women in the higher age group. While not excluding these women, more emphasis should be given to target the poorest women with children under 14 years of age.

**2. Future expansion of the FDF should first be in the existing locations instead of new regions.**

There exists a large unmet demand for credit in the existing locations. In addition, there is scope for the existing institutional structure to cater for a larger number of borrowers without increasing costs significantly. Future expansion of the FDF should aim to expand first in the existing locations and avoid spreading too thinly across the Governorates.

**3. The capacity of the CDAs should be further strengthened in specific areas.**

The CDAs have demonstrated their capacity to manage the FDF in its present scale. However, for expansion of the FDF the further capacity building of the board of directors and project staff will be needed in areas such as targeting the poorest, management and monitoring of financial and social indicators.

**4. The capacity of groups and group leaders should be further strengthened in specific areas.**

A considerable amount of training of groups has been conducted. In order to make the groups economically viable and socially self-reliant there is a need to build the capacity of the groups to internally manage themselves with reduced reliance on the extension workers. Training of group members and group leaders in the following areas will improve the long-term sustainability of the groups: record keeping; group management; tapping into other facilities and resources outside the community; social awareness; and gender and development.

- 5. An analysis should be carried out of the situation of the ultra poor, reasons for their not accessing the FDF credit and what income-generating activities can be promoted for them through credit.**

The socio-economic background of the current borrowers indicates that they are from the poorest households. However, there are many in the same communities who are poorer but unwilling to take credit. An analysis of the situation of the ultra-poor should be carried out to examine ways and means of bringing them into the ambit of the FDF

- 6. Further efforts should be made to mobilise the savings of the poor.**

Savings mobilisation in the FDF is not a high priority. The borrowers, however, continue to save larger amounts in the informal rotating savings and credit organisations. This suggests that there is scope for increasing the savings being channelled into the FDF. Efforts should be enhanced to mobilise savings and if necessary learn lessons from other microcredit schemes such as the one supported by UNICEF in Vietnam.

- 7. An assessment of other farm and non-farm income generating activities in the FDF locations should be carried out, for example developing poultry rearing or more profitable cattle rearing.**

There may be scope for diversification into other activities in the existing villages in areas such as poultry rearing, profitable cattle rearing and other informal sector activities. An analysis of the possibilities in the specific locations taking into consideration questions of access to markets and skills of borrowers would be useful in determining the nature of support that can be provided. Poultry rearing in the BRAC microfinance programme in Bangladesh has shown what is possible and it may be useful to learn from their experiences.

- 8. Women's traditional skills on cattle rearing should be upgraded with new knowledge.**

No specific effort has been made to enhance the skills of women in cattle rearing. The FDF provides them with an opportunity for information exchange and occasionally expert advice from veterinarians. Women's skills in cattle rearing can be further upgraded by imparting further useful knowledge and experience to them through training.

**9. Gender training should be provided to group members.**

Social awareness and gender training should be conducted in a systematic way. The husbands of the group members should be included in the gender and social awareness training.

**10. There should be a compulsory literacy training for group members.**

The group meetings provide a good opportunity for adult literacy training. There is a need for such training which should be conducted in a manner as to attract the borrowers to attend.

**11. There should be greater integration of credit with actions to improve access to and utilisation of other basic social services such as primary school education with special emphasis on girl's education and water and sanitation.**

While there is good integration between credit and health and nutrition training, less effort has gone into integrating it with primary school education, particularly that of girls and with access to water and sanitation. UNICEF's supported programmes in these areas can explore what effective actions can be taken to impact upon the social indicators in these areas.

**12. Additional credit for meeting the capital cost of water supply and sanitation should be considered within the FDF.**

The income from the credit activities of borrowers is generally not sufficient for meeting the capital costs of water supply and sanitation. Additional credit, repayable over a longer period, should be considered in this regard.

**13. There should not be any further recruitment of extension workers unless the number of borrowers increases. Depending on the location of the village, the number of borrowers per extension worker should be increased to a target figure.**

At present, the borrower /extension worker ratio is low. The existing extension workers can service more borrowers. Hence further recruitment of extension workers should be limited. Instead, existing extension workers should be further trained as trainer in specific areas indicated below.

**14. Further training of extension workers in specific areas should be considered.**

The role of extension workers should include the mobilisation of the group members to obtain and utilise available government services, and develop social awareness. The training of extension workers should include: social mobilisation; social awareness; training of trainers on gender and literacy; motivating the group members; selection of target borrowers; and development of the group as a self-reliant unit.

## REFERENCES

- Biswas, Zamaluddin (1996) An Assessment of Egypt's Family Development Fund, Achievements and Recommendations, UNICEF Cairo, 1996.
- Diagne Aliou (1998) Impact of Access to Credit on Income and Food Security in Malawi, International Food Policy Research Institute, Washington D.C.
- Farah, Nadia (1997) Poverty Alleviation with a Focus on Women Headed Households and Microcredit Programmes in Egypt.
- Government of Egypt Egypt Human Development Report, 1996
- The Egyptian Family, The Fourth International Conference on Women Beijing, 1995.
- Mustafa Shams, Ishrat Ara, Dilruba Banu, Altaf Hussein, Azmal Kabir, Md Moshin, A Yousuland & Sarwar Jahan, Beacon of Hope: an impact assessment study of BRAC's rural development programme, BRAC, February 1996.
- Nigam, Ashok Review of the Family Development Fund and UNICEF's Support for Microcredit in Egypt, Report on the Field Mission, 1997
- UNICEF The Situation of Women in Egypt, 1995
- UNICEF(EPP) "Impact Assessment of Microcredit Programmes: A Methodological Note and Questionnaire, EPP, March 1998

## Annex 1: FDF Household Sample Survey Questionnaire (1998)

### **BACKGROUND INFORMATION ON THE BORROWER AND HER CHILDREN**

1- Age of respondent \_\_\_\_\_ years

2- Marital status:

1- *Married*      2- *Widow*      3- *Divorced*      4- *Single*

3- Educational status:

1- *Never went to school*      2- *Did not complete PE*  
3- *Completed PE*      4- *Completed PE and above*

4- Number of years of education: \_\_\_\_\_ years

5- Number, sex, age and education of children

No.	Name	Sex (1=M,2=F)	Age (years)	Education

6- Does the respondent have an ID

1= *Yes*      2- *No*

7- Total number of children:

8- Number of male children

9- Number of female children

10- Total number of children living with the respondent

11- Number of male children living with the respondent

12- Number of female children living with the respondent

13- Do you have any children (other than yours) living with you in the same house

1= *Yes*      2- *No (GOTO 15)*

14- How many children?

15- Do you have children (boys or girls) aged more than 7 years [when you got the loan] and did not go to school?

1= *Yes*      2- *No (GOTO 18)*

Impact Assessment Study of the Family Development Fund, Egypt

---

16- How many?

17- Why did not they go to school?

1701- First child:

1702- Second child:

1703- Third child:

1- *Child is too old*      2- *School too expensive*      3- *School too far*

4- *Child dislikes school*      5- *School useless* 6- *DK*

18- and now, do you have children aged more than 7 years who did not go to school?

1= *Yes*      2= *No*

19- Do you have any children who dropped out of school?

1= *Yes*      2= *No (GOTO 21)*

20- If yes, Why?

1- *To work*      2- *School too expensive*      3- *School too far*

4- *Child dislikes school*      5- *School useless* 6- *DK*

21- Do you think that school is important for your daughter(s)?

1= *Yes*      2= *No*      3= *DK*      4= *Do not have girls*

22- Why?

23- Does your husband think that school is important for your daughter(s)?

1= *Yes*      2= *No*      3= *DK*      4= *Do not have girls*

24- Why?

25- Do you think that school is important for your son(s)?

1= *Yes*      2= *No*      3= *DK*      4= *Do not have sons*

26- Why?

27- Does your husband think that school is important for your son(s)?

1= *Yes*      2= *No*      3= *DK*      4= *Do not have sons*

28- Why?

**CHILD LABOR**

**Before the loan:**

29- Does (name of child) work for anyone outside the household?

1= *Yes*      2= *No (GOTO 33)*

30- How many?

31- What kind of work does he/she do?

3101- First child:

3102- Second child:

3103- Third child:

1- Domestic service

2- Industrial work

3- Agricultural work

4- On the street

5- Other (mention)

32- How many hours a day does he/she work?

3201- First child:

3202- Second child:

3203- Third child:

3204- Fourth child:

3205- Fifth child:

**After getting the loan:**

33- Does (name of child) work for anyone outside the household?

1- Yes

2- No (GOTO 37)

34- How many?

35- What kind of work does he/she do?

3501- First child:

3502- Second child:

3503- Third child:

3504- Fourth child:

3505- Fifth child:

1- Domestic service

2- Industrial work

3- Agricultural work

4- On the street

5- Other (mention)

36- How many hours a day does he/she work?

3601- First child:

3602- Second child:

3603- Third child:

3604- Fourth child:

3605- Fifth child:

**INCOME AND ASSETS**

Before the loan

37- What assets does your family have?

1- Land area: (kerats)

2- Cattle number:

3- TV number:

4- Refrigerator number:

5- Own business:

6- Others (mention):

After the loan

38- What assets does your family have?

- 1- Land area: (kerats)  
2- Cattle number:  
3- TV number:  
4- Refrigerator number:  
5- Own business:  
6- Others (mention):

39- Source of family income before getting the loan:

- 1- Husband work 2- Work of sons 3- Work of daughters  
4- Pension 5- Social aids 6- Others (mention)

40- Source of family income after getting the loan:

- 1- Husband work 2- Work of son(s) 3- Work of daughter(s)  
4- Pension 5- Social aids 6- Others (mention)

41- How many earning members do you have in your family?

42- Does your husband have regular income?

- 1- Yes 2- No 3- Unmarried

43- Who pays for family expenses?

- 1- Respondent 2- Husband 3- Son(s)  
4- Daughter(s) 5- Others

44- How often does your family eat meat/fish/chicken?

- 1- Twice a week or more 2- Once a week  
3- Once a month or less 4- Never

45- How often does your family eat vegetables or fruits?

- 1- Twice a week or more 2- Once a week  
3- Once a month or less 4- Never

## **USE OF LOANS**

46- In the last two years, has any one from your family borrowed money besides from the project loan?

- 1- Yes 2- No (GOTO 48) 3- DK (GOTO 48)

47- What was the source of the loan(s)?

- 1- NGOs 2- Commercial banks

### **In case of non-borrower respondents (control group) GOTO 57**

48- How many times could you get loans?

49- When was the first time you got a loan?

50- What is the total sum of your loans? LE

Impact Assessment Study of the Family Development Fund, Egypt

---

51- In what way did you invest your loan?

- 1- Raising cattle 2- Diverse business 3- Others (specify)

52- Could you get any profits out of your loan?

- 1- Yes 2- No

53- In what way did you use the profits of your loan?

- 1- Re-investing a part of the profits 2- Family subsistence  
3- Purchase of clothes 4- Medical care  
5- Marriage expenses 6- Educating children  
7- Purchase of land 8- House renovation  
9- Others (mention)

54- Did you repay your loan?

- 1- Yes 2- No

55- How could you repay your loan?

- 1- Profits of loan 2- Family income  
3- Borrowing from relatives or friends 4- Support of other members of the group

56- Did you get a loan from the saving fund?

- 1- Yes 2- No (GOTO 59)

57- How much was that loan?

LE

58- Why did you take a loan from the saving fund?

**PRIMARY HEALTH CARE AND FAMILY PLANNING**

59- Does every one of your children have a birth certificate?

- 5901- First child:  
5902- Second child:  
5903- Third child:  
1- Yes 2- No

60- How would you treat your children if they had diarrhoea?

- 1- ORT 2- Traditional medicine 3- Antibiotics  
4- Other treatment 5- No treatment 6- DK

61- Can you prepare the ORT?

- 1- Yes 2- No (GOTO 63)

62- Who taught you how to prepare the ORT?

- 1- Physician 2- Pharmacist 3- Nurse  
4- TV 5- FDF Programme 6- Others (mention)

63- Did you vaccinate your youngest child against polio?

- 1- Yes 2- No 3- Child is too young 4- DK

Impact Assessment Study of the Family Development Fund, Egypt

---

- 64- Did you vaccinate your youngest child against TB?  
1- Yes                      2- No                      3- Child is too young                      4- DK
- 65- Did you vaccinate your youngest child against viral hepatitis?  
1- Yes                      2- No                      3- Child is too young                      4- DK
- 66- Did you vaccinate your youngest child against measles?  
1- Yes                      2- No                      3- Child is too young                      4- DK
- 67- Did you vaccinate your youngest child with the triple vaccine (DPT)?  
1- Yes                      2- No                      3- Child is too young                      4- DK
- 68- When you get sick where do you go for treatment?  
1- Rural health unit                      2- Private physician  
3- Practising magic                      4- Resorting to religious persons
- 69- Do you know what is AIDS?  
1- Yes                      2- No (GOTO 71)
- 70- From where could you know about AIDS?  
1- Physician                      2- Newspapers                      3- Relatives/friends/neighbours  
4- TV                      5- FDF programme                      6- Others (mention)
- 71- When someone in your family has a serious injury or is seriously sick, do you go the rural health unit?  
1- Yes (GOTO 73)                      2- No                      3- DK (GOTO 73)
- 72- For what reasons?  
1- There is no health unit                      2- The health unit is too far  
3- Health unit is too expensive                      4- Health unit is no good  
5- DK                      6- Other reason (mention)

**For unmarried respondents or those aged more than 45 years GOTO 76**

- 73- Do you practice any family planning methods?  
1- Yes                      2- No (GOTO 76)
- 74- Which method(s) do you use?  
1- Pills                      2- IUD                      3- Injection                      4- Condom  
5- Others (mention)
- 75- How long have you been using this method?

**CHILD NUTRITION**

- 76- Has (name) been breastfed from birth to 6 months  
7601- First child:  
7602- Second child:  
7603- Third child:  
1- Yes                      2- No

Impact Assessment Study of the Family Development Fund, Egypt

---

77- Do you know which type of food that is good for your health?

1- Yes                      2- No (GOTO 79)

78- Please give us an example.

79- Do you know which type of food that is good for your children's health?

1- Yes                      2- No (GOTO 81)

80- Please give us an example.

**CLEAN WATER AND SANITATION**

81- Do you have piped system for drinking water?

1- Yes                      2- No (GOTO 83)                      3- DK (GOTO 83)

82- When was that piped system installed?

1- Before getting loan                      2- After getting loan                      3- Mention the year

83- Do you have toilet facility at home?

1- Yes                      2- No (GOTO 85)

84- When was that toilet facility installed?

1- Before getting loan                      2- After getting loan                      3- Mention the year

N.B. The data collector should visit the bathroom to check whether there is soap by the water pump

85- Presence of piped water

1- Yes                      2- No

86- Presence of soap

1- Yes                      2- No

**WOMEN EMPOWERMENT**

87- Who decides when to take a loan?

1- Myself                      2- Husband                      3- Both of us                      4- Others (mention)

88- Was any body against applying for a loan

1- Yes                      2- No (GOTO 90)

89- Who was that person?

90- Does your loan increase your working load?

1- Yes, a lot                      2- Yes, a little                      3- No                      4- DK

91- Does your husband (or any member of your family) help you in the loan activity?

1- Yes                      2- No

Impact Assessment Study of the Family Development Fund, Egypt

---

92- Did the relation with your husband (or in-laws) change after getting the loan?

1- *Yes*                      2- *No (GOTO 95)*

93- In what way?

1- *Improved*                      2- *Became worse*

94- Now, does your husband listen to you more or not?

1- *Now more than before*                      2- *Nothing changed*  
3- *Now less than before*

95- Who decides to buy food for the family?

1- *Myself*                      2- *Husband*                      3- *Both of us*                      4- *Others (mention)*

96- Who decides on large purchases (assets, furniture, TV, etc.)?

1- *Myself*                      2- *Husband*                      3- *Both of us*                      4- *Others (mention)*

97- Who makes decisions regarding your children education?

1- *Myself*                      2- *Husband*                      3- *Both of us*                      4- *Others (mention)*

98- Does your husband help you in your domestic work?

1- *Yes*                      2- *No*

99- Who makes decisions regarding marriage of girl?

1- *Yes*                      2- *No*

100- How frequently do you go out of home?

1- *Every day*                      2- *Once or twice per week*                      3- *Not frequently*

101- Did you vote in the last election?

1- *Yes*                      2- *No*

102- Do you know who won the election for your area?

1- *She knows*                      2- *She does not know*

**END OF QUESTIONNAIRE**



**PART II**

**FAMILY DEVELOPMENT FUND, EGYPT  
Management Plan 1998-2000**

## 1. Introduction

The Family Development Fund (FDF) was initiated by UNICEF, Egypt in 1993 to provide small loans to poor women with the objective of improving the socio-economic situation of their families, particularly children. The FDF was set up subsequent to earlier attempts by UNICEF to promote credit through the Ministry of Social Affairs (MOSA) in 1986 and through the National Bank for Development (NBD) in 1992. It was noted that the former was not reaching the poor due to its requirement for collateral. The NBD has continued its microcredit programme with an increasing focus on expanding through existing customers and those with skills.

In the initial stages of the FDF (1993 to 1996), UNICEF adopted the group-based lending system and developed an indigenous Egyptian model of microcredit utilising the existing strengths of the institutional structures at the local-level.

In 1996, UNICEF had signed a series of agreements largely for providing technical support to other national programmes. These agreements amounted to a total of around \$6million to be put into the replication of FDF. Much of this sum was to be invested by a national bank with technical support, primarily for information systems, from UNICEF. While there was considerable evidence to show that poor women were benefiting from the FDF, prior to the injection of additional funds or expanding with other partners, it was felt that a review and impact assessment should be carried out in order to further improve the effectiveness and operation of the FDF.

During 1996 and 1997, UNICEF conducted an external and internal review followed by an impact assessment study in April 1998 with the objective of identifying the strengths and weaknesses of the FDF and additional actions needed to enhance and fine tune the model. The objective of these exercises was to ascertain the extent to which the FDF programme was meeting its objectives, its impact on the lives of the poor, and the actions and partnerships needed in order to promote the model on a larger scale with solid foundations.

This Management Plan, developed by Ashok Nigam, Policy Adviser, Division of Evaluation, Policy & Planning with UNICEF, Cairo (Field mission, 6-16 April 1998), has been prepared pursuant to these efforts and provides directions for the further development of FDF based on the findings and recommendations of the various reviews, the impact assessment study and discussions with partners in the country. Its primary purpose is to indicate the actions that need to be taken to enhance the impact of the

### **BOX A1. Objectives of the management plan**

- Identify the actions needed to enhance the impact of FDF.
- Indicate appropriate institutional linkage at the national level for long-run sustainability.
- Outline the management system of FDF.
- Identify specific objectives and impact indicators.
- Indicate the roles & responsibilities of UNICEF & its partners

FDF on women and children, indicate the actions necessary to root the FDF in national institutional structures for further expansion, indicate the manner in which the FDF will be managed, identify the more specific objectives and impact indicators to be monitored, and provide an action plan including the roles and responsibilities of UNICEF and its partners.

## 2. Objective of the FDF

The main objective of the FDF is to "improve the socio-economic conditions of low-income /asset-less women and their families through (a) provision of credit for small micro-enterprises to create opportunities for self-employment and income generation, and (b) the promotion of an integrated package of social services (including primary health care, education, water, environment and sanitation) that aims at improving the beneficiaries overall quality of life". The FDF recognises that credit alone will not be a sufficient measure for achieving maximum impact. An integrated approach at the community level with convergence between the different programmes of support by government, donors and multilateral institutions is necessary to improve the situation of women and their children.

## 3. Recent developments in microcredit in Egypt

The 1997 internal review indicated that in spite of a number of actors providing microcredit in Egypt, UNICEF had a niche in reaching the very poor and a model that was based on building capacity and organisational structures at the grass-roots level. The UNICEF supported credit schemes are found to have ownership by both the community development associations (CDA's) at the local level and the Governorates.

Since 1997, there is intensified support for microcredit at the national level. In 1998, the Egypt Social Fund announced a large microcredit scheme as part of its community development programme. The planned expenditure of the Fund is LE90 million (US\$27 million), out of which LE48 million is to be disbursed to 120 CDA's within the next two years. In addition, the Social Fund will provide capacity building support to the CDA's for the management of credit programmes.

The Organisation for Rural Development (ORDEV), with which UNICEF has signed a Memorandum of Understanding for providing technical support under the FDF programme (with loan funds from ORDEV), is also in the process of negotiating a US\$4 million loan

agreement with the World Bank for micro credit in the Suhag Governorate. The project appraisal report of the World Bank specifically identifies FDF as the model which will be replicated with technical support from UNICEF.

### **Box A2. Microcredit schemes in Egypt with loan sizes of less than LE1500 (US\$450).**

- National Bank for Development - small enterprise credit (market rates of interest)
- ADEW - credit to WHHs (interest rate- 18%)
- SFVO - street food vendors (interest rate - 24%)
- MOSA - productive families project, rural women development, rural women training in development & population, women's initiatives, development of the role of women in food production (interest rate - 10%)
- SDF - community development

*Source: "Review of Family Development Fund" (Nigam, 1997).*

The First Lady of Egypt has also announced a government policy to support microcredit and provide loans to the poor at an interest rate of 6 per cent.

The increased support of a large number of actors with significant resources calls for a continuous assessment by UNICEF of its niche and strategies in microcredit. UNICEF aims to provide catalytic support for improving the situation of women and children through credit. In particular, UNICEF needs to constantly ensure that its programmes are having the desired impact and are sustainable. Other partners in the country have taken note of the FDF model and have expressed interest in learning from the model and replicating it.

## **2. Key findings and recommendations**

The key findings and recommendations below have been synthesised from the reviews conducted in 1997, the impact assessment study of 1998 and discussions during the field mission in April 1998. In the interest of highlighting the improvements needed in the FDF, they concentrate more on the areas where further actions are needed. The impact assessment study, itself shows a number of positive findings and achievements of the FDF.

### **BOX A3. - Summary of recommendations**

- Need for indicating specific and measurable objectives of FDF.
- Priority to target mothers with young children.
- Ensure that borrowers can obtain successive loans for a period of at least 4-5 years.
- Improved linkages with basic education, water and sanitation, gender, and social awareness was needed.
- Identify and monitor with CDAs a limited set of impact indicators.
- Formal link to an institution at the national level - government, financial institution or non-bank financial intermediary is needed.
- Identification of a strong, credible and accountable national level NGO for gradual transfer of day-to-day overall management.
- Strengthening of group solidarity through training.
- Improved on-going monitoring of financial performance and a system for taking timely corrective actions, if necessary.
- Reduction of operating costs.
- Mobilization of savings.
- Literacy training of borrowers.
- Support for diversification of women's income generating activities.
- Additional loans to women for water supply and sanitation.
- Further training of extension workers and CDA officials in specific areas is needed.
- Future expansion of the FDF should be first in existing locations instead of new regions.
- An analysis of the situation of the ultra-poor, reasons for their not accessing credit and other actions needed to support them can be undertaken.

### **4.1 The overall objectives of the FDF need to be made more specific to allow for monitoring impact in the short and medium term.**

The overall objectives of the FDF are too broad to monitor adequately and assess the impact in the short to medium-term. Credit provides the poor with an opportunity to earn

additional income. But enhancing the impact of credit on the well-being of the borrowers and their families, and the sustainability of the achievements depends on a number of other factors. It is important, therefore, to ensure that additional actions necessary along with credit are identified and efforts made to implement them at an early stage. This task will be easier if more specific objectives are stated.

**4.2 The FDF has been successful in targeting poor women. However, priority needs to be given to target poor women with young children.**

The impact assessment shows that there is improvement in the living standard of the borrowers. While the FDF is successful in reaching the poor, women with children are not specifically targeted. Consequently, significant changes could not be observed in impact indicators such as children's education and health cannot be observed.

**4.3 Borrowers selected for the first time loans should be assured repeat loans for a period of four to five years prior to giving loans to new borrowers.**

In view of a large number of needy women, there is a tendency of covering more women with at least one loan. With the limited availability of funds, it is not possible to provide repeat or larger loans to all borrowers accepted into the scheme. Failure to provide repeat loans will result in limited impact since the poor need repeated borrowings over a fairly long period of time to improve their living standard through credit. With the limited resources available, there will have to be some trade-offs. Policy and management changes are needed to limit the number of borrowers accepted into the FDF to those that can be serviced for at least 4-5 years with the available funds.

**4.4 Improvements in the health situation of borrowers both before they received a loan and in comparison to non-borrowers, has been observed. However, there is less improvement in other areas such as primary school attendance, water and sanitation and gender awareness. In part, this is because of lack of convergence between the different programmes in the targeted communities. Improved linkages are needed.**

Special effort has been taken in the FDF to provide improved access to health services through such means such as mobile clinics, imparting health education to the borrowers through the training of extension workers, and visits by local doctors and veterinarian. In general, the impact assessment suggests that this has had a positive effect on the life of the borrowers in comparisons to the non-borrowers. Increased income has also allowed the borrowers to purchase medicines in case of illness.

With the exception of a few ad-hoc measures, limited attempt has been made to improve linkages with primary education and access to water and sanitation. In the case of water and sanitation, it is found that additional credit facilities may be needed for enabling the poor to afford a piped connection.

One important feature of the FDF, which is not present in many other microcredit

schemes in Egypt, is the opportunity for women to meet in groups. This provides women with a reason to go out of their house, participate in credit and other decisions affecting them, and discuss a range of issues of interest to their health and socio-economic situation. Indeed, there is one view which suggests that borrowers are willing to pay at or above market rates of interest in FDF because of the benefits that they get from its integration with basic social services and their empowerment through participating in groups. More can be achieved from this mechanism of group meetings. Extension workers should be trained, or other ways of imparting knowledge to the borrowers on gender issues, Facts for Life, and women and child rights should be sought.

**4.5 A limited set of impact indicators should be identified and monitored annually. Some of the indicators can be monitored by the CDAs, such as primary school attendance of girls.**

It is difficult to monitor and measure broad objectives and an extensive set of impact indicators. A limited set of impact indicators needs to be defined. Baseline data on these indicators should be gathered at the time of the borrower's entry into the FDF. Focus must be on measuring them on an annual basis through the routine management system of the FDF. In view of the costs, however, further detailed and extensive impact assessment studies should be conducted after a period of about three years to allow time for noticeable changes in the lives of the borrowers, but on-going monitoring of some indicators can be conducted by the CDAs. Training may be needed to build their capacities in this regard.

**4.6 One of the strength and distinguishing features of the FDF is its local-level institutional base. For long-term sustainability, there is a need to link the FDF to an institutional structure at the national level.**

UNICEF has demonstrated a model for reaching the very poor. Positive impact on their lives through credit can be enhanced through improved linkages with basic social services. UNICEF does not have the resources or capacity, nor does it expect to manage a large-scale credit programme in Egypt. For long-run sustainability and expansion, therefore, it is necessary for UNICEF to root the FDF and its future expansion in national-level institutions which can provide continued support, including loan funds. UNICEF would continue its role in ensuring an impact on the children of borrowers and to reach the un-reached.

UNICEF needs to search for a partner at the national level that can take on this role in the medium to long-term. Possible partners are ORDEV, MOSA, a pro-poor financial institution, or a non-bank financial intermediary. Though UNICEF can continue to work with many partners in providing microcredit in the country, there is a need to identify a suitable partner at the national level who can manage and oversee the entire project.

**4.7 At the intermediary level the overall management of the FDF should be gradually transferred to an umbrella NGO.**

The FDF has developed good roots at the local level by being based in the community

development associations. However, for further expansion, it is necessary to identify and engage an umbrella organisation to entrust the responsibility of the overall management of FDF. This organisation can report to UNICEF and other partners at the Governorate and national level.

**4.8 Group formation and group solidarity has been built. It needs to be further strengthened through additional training of groups.**

Leadership training of group leaders has provided them with self-confidence and courage. But the groups need further strengthening to be able to take up initiatives in terms of tapping into the resources and other facilities available outside the FDF programme. At present, there is a high degree of dependence of the groups on the extension workers. The women need formal training on group management, record-keeping, formal social awareness, gender training, and information on other services.

**4.9 Presently, the FDF is financially sustainable, in terms of high loan recovery rates and operational cost coverage, but there is a need for on-going monitoring.**

Based on the available audited statements which are included in Annex A1, the FDF is presently financially sustainable in terms of having high recovery rates, covering of direct operating costs by the interest rate charged for administration, the interest rate is at or above the market rate of interest, there is a system of accounting, preparation of accounts and auditing, and the initial capital and subsequent increases are intact. Key operating and performance indicators are shown in Table 6.

However, there are signs of deterioration in loan repayments and rising operating costs in some locations. Improvements are needed in the lending policies and procedures for taking corrective actions in the event of deteriorating quality and non-performance of loans. The staff also need to be given clear guidance on the procedure for giving loans with the objective of having greater impact. A common understanding of the meaning of each of the terms in the accounting and reporting system is necessary in order to get reliable and on-time information for monitoring.

**4.10 The operating costs of the FDF needs to be monitored regularly. There is scope for reducing these costs.**

The operating costs of the FDF is close to the current income from interest payments. It also requires the capital base of the FDF to be fully loaned out in order to cover the costs. In some districts there are more extension workers than are justified by the number of borrowers. This means that at the present level of borrowers, the number of extension workers needs to be reduced. Alternately, an expansion of the FDF can absorb the surplus extension workers. There should not be any further hiring of extension workers without significant increases in the loan capital.

#### **4.11 The FDF needs to give special effort to mobilise increased savings from borrowers.**

At present all members of the FDF are expected to save at least 25 piastas per week. This level of savings is, however, too small to contribute significantly to the capital base of the FDF. The impact assessment noted that most women save larger amounts, LE10-100 in informal revolving savings and credit schemes which are operating in the villages. They are able to borrow from these schemes when needed and appear to have confidence in them. Attempt should be made to encourage the borrowers to channel these savings into their groups in the FDF. Since the FDF allows for withdrawal of savings, it should be possible to mobilise additional funds from the savings of borrowers which can be an important additional source of loans. A study may be conducted to assess the scope for mobilising greater savings.

#### **4.12 Women borrowers should get literacy training at the centres.**

The participation of FDF women in literacy classes is low for a variety of reasons. Adult literacy training should be included as either part of the FDF programme or good linkages established with the existing government programmes for adult literacy.

#### **4.13 Assessment of the scope for other farm and non-farm income generating activities and support for diversification in productive activities and upgrading of skills is needed.**

The asset base of the borrowers, which should be seen as an indicator of impact, needs to expand through both gradual increases in the size of the loans, diversification of the income-generating activities leading to higher incomes and enhancing their existing skills. There may also be scope for diversification into other activities in the existing villages such as poultry rearing, profitable cattle rearing and other informal sector activities.

Women's traditional skills on cattle rearing should be upgraded with new knowledge and expert advice from veterinarians. Also, in the long-run, it should be examined how even activities such as cattle rearing can give more income. For example, if the borrowers can graduate to buying for example a Jersey cow, which provides more milk and a more steady source of income from the sale of milk, then they may deepen their activities and increase self-reliance.

Borrowers engaged in other informal activities may need training to develop their skills and be provided help in identifying and evaluating small business opportunities. Improved access to markets will also be a major factor in the diversification of their activities. UNICEF does not have a comparative advantage in many of these areas. Therefore, linkages should be sought with appropriate national and multilateral agencies such as ILO. Learning from the experiences of institutions such as BRAC may be useful to further build the capacity of the women in the FDF programme.

**4.14 Consideration should be given to providing other credit facilities to women for capital investment in water supply and sanitation.**

Not many borrowers can afford improved water supply such as piped connections because of its high capital cost. Additional credit schemes for the borrowers aimed specifically at water and sanitation should be considered to enhance impact in these areas.

**4.15 Further training of the extension workers and CDA officials could be promoted.**

Further training of extension workers and CDA officials, as appropriate, can include: social mobilisation, social awareness, training of trainers on gender and literacy, motivating group members, selection of target groups in line with the criteria, and developing groups as self-sustaining units.

**4.16 Future expansion of the FDF should first be in the existing locations instead of new regions.**

There is a large unmet demand in the existing villages in which FDF is operating. The existing institutional structure can accommodate more borrowers without increasing costs significantly. Impacts on the lives of the women and children can still be greater in the communities in which FDF is currently operating if those who want loans are able to access them. Future expansion of the FDF should aim to first expand in the existing locations and avoid spreading too thinly across the Governorates.

**4.17 A study to analyse the situation of the ultra-poor in the target villages, reasons for their not accessing the FDF credit and what income generating activities or other actions can be promoted to impact on their lives may be undertaken.**

Although the current borrowers are from the poor and very poor households, there are many in the community who are poorer but unwilling to take credit. An analysis of the situation of the ultra-poor may be useful in order to examine ways and means of either bringing them into the ambit of the FDF, including access to basic social services, or other actions that may be appropriate.

The actions needed to address each of the above findings and recommendations and their underlying rationale are discussed thematically below.

## **5. Enhancing impact**

A key finding of the impact assessment is that access to credit has benefited the borrowers, but there are issues of concern with regard to a clear statement of the objective of the FDF, targeting, size of loans, access to repeat loans and integration with basic social services. The objective of the FDF is to improve the socio-economic situation of the poor. However, at this level the objective is very broad and not helpful for guiding actions and measuring impact as shown by the impact assessment study.

## 5.1 Specific objectives of FDF

The objectives of the FDF need to be stated more precisely. The specific objectives for which impact indicators can be developed are noted below:

### Primary objectives

- All primary school-age children of borrowers are attending school, particularly girls.
- Ensure that after three/four cycles (years) of borrowing, the permanent asset base of the borrowers has increased i.e. ownership of cattle, poultry, improved housing, owned or leased land.
- Borrowers and their families, particularly their children, have improved health and nutrition status.
- All borrowers' families have improved access to water supply and sanitation services and practice proper hygiene.
- All borrowers are aware of child rights.
- Women are being empowered as measured by their views on girls education, early marriages and decision-making on the use of financial resources in the household.
- Women are aware of the danger of female genital mutilation and are moving to stop this practice.

### Additional objectives

- Borrowers do not allow their children to be engaged in exploitative and harmful forms of child labour.
- All women borrowers are able to write their name and read their pass-books.
- There is a high degree of AIDS awareness among the borrowers.
- Women are aware of environmental issues impacting their surroundings and take actions to protect and conserve the environment.

## 5.2 Targeting.

At present 55 per cent of the of the borrowers are married and 32 per cent are widowed. Only 19 per cent of the borrowers are in the 20-30 years age group, the primary child bearing age. The database does not provide information on the number of borrowers who have children below five and twelve years of age - to allow for an assessment of targeting for the reduction of child mortality and those with primary school age children. Because of the high degree of women without children in FDF, there was a noticeable lesser impact on indicators for children in the FDF.

In future, the selection criteria for new borrowers should give priority to women with

children under 14 years of age. This is not to be interpreted that those with children under 18 or widows would not also be eligible, but every effort has to be made to ensure that the poor women with children between 0-14 years are a priority for the FDF.

### 5.3 Loan size and repeat lending

At present there is no fixed loan size at any of the cycles (except for an upper limit of LE 1500) and there is no clear policy on ensuring repeat loans. Once the money is given to the CDA, it is left up to the loan committee to identify and qualify the borrowers for loans. Since there are a number of people waiting for a loan, in order to provide some of them with at least one loan, successive repeat borrowings may not be possible for all those accepted. After receiving one loan, it can happen that a borrower has to wait a year or two to get another loan because of the limitation on the amount of funds available. It can also happen that a borrower may not want a successive repeat loan either because she does not need it or because of family circumstances she decides to wait a while before taking another loan.

For credit to have a sustainable impact on the lives of the borrowers, the beneficiaries should be able to borrow repeatedly over a period of time. Also, it is necessary for them to be able to build up their permanent asset base to be able to generate a stable income over time. This may also require higher levels of borrowing.

The impact assessment has shown limited changes in some key indicators. This is in part due to the lending practice noted above. On the basis of the amount of loan funds available in each centre and an average loan size of LE500 across all schemes, the number of borrowers that can benefit from the capital base at the end of December 1997 is about 2180. But the total number of borrowers in 1997 were 3072 and in 3589 in 1996. This means that the average loan size is

#### **BOX A4. Policy Issues**

- Those accepted into the FDF should be able to obtain repeat loans for a period of 4-5 years.
- FDF should give priority to existing borrowers before bringing in new first time borrowers.
- There is a trade off between loan flexibility and guaranteed successive loans. To retain the flexibility in loan size and at the same time guarantee successive loans of increasing size, it is necessary to develop criteria for the allocation of the total loan capital available.
- The range and average size of loans for each location must be specific to the needs and available business opportunities

considerably smaller at around LE300-400 (US\$90-120). Also, in order to satisfy the heavy demand for credit, it is noted that the CDA loan committees are giving more first time loans than repeat loans. This results in a fluctuation of the number of borrowers from year to year. Under this practice, borrowers will find it hard to get successive loans.

In some centres the borrowers are receiving much higher loans around LE1000 - LE1500, particularly for cattle. This means that fewer people in these centres can get loans.

The data presently being provided of the number of borrowers in FDF is that of all those who have borrowed in the year. Because of the high demand and limited funds available,

borrowers may have to wait for some time before getting a second, third and fourth loan, although they continue to attend the group meetings. Unless successive loans are available to those who want it, the overall impact on the lives of the borrowers will be limited. Hence this practice needs to be re-considered.

The policy of allowing flexibility to the borrower to determine the size of the loan according to their needs is poor friendly because it recognises the seasonality of their employment opportunities, vulnerability to fluctuations in their incomes and social conditions and their averseness to risk. However, such an approach means that the system of financial accounting and allocation of loans to borrowers will get more complex. An assessment needs to be made of what should be the average size of loans based on the ability of the poor to repay and engage in viable income generating activities for each district since this can vary. On this basis the number of borrowers that can be covered should be identified and priority should be given to them for repeat loans.

This issue of repeat lending, which is one of the findings of the impact assessment, needs to be addressed in discussion with other partners, in particular the CDAs. Box 5 indicates some of the issues that need to be explored in this regard. Annex 2 provides a summary of the various options and the trade-offs involved. A decision on which approach should be taken has not been indicated in this management plan since it needs further discussion with the CDAs. But changes are needed in order to ensure enhanced impact of microcredit on the poor.

#### **5.4 Linkages with basic social services**

In order to achieve the specific objectives indicated above, actions in addition to credit alone will be needed. Some of these actions are summarised in Box 6 below. They need to be considered in relation to the strategies and support being provided by UNICEF in the other sectors in order to enhance the impact of FDF. An integrated approach, that brings about convergence in the services being supported by the government and UNICEF, is likely to achieve greater impact than the single intervention of credit. Credit can be an effective entry point for basic social services. It can help families to contribute to the costs of these services. Effective linkage with basic social services is essential for maximising the impact of credit on the well-being of the borrowers.

To enhance the impact of FDF, this plan calls for the other sections in UNICEF, ECO to work as a team in areas where credit is being provided. Prior to expansion in new villages, a plan of action for improved convergence at the local level will can be developed and implemented in existing villages.

**Box A5. Addressing the policy issue on successive loans to borrowers**

- Borrowers should be able to obtain successive loans, if they so desire, for a period of four to five years, after which their participation in FDF should be reviewed depending upon whether there is expansion and additional funding.
- The scheme should be expanded by ensuring that all those who have received at least one loan and desire successive loans are able to get them before any new borrowers are accepted.
- To retain flexibility of loan size as a policy of FDF, alternative approaches to the manner in which this should be implemented have to be considered (see Annex 2).
- The average size of loans and the upper limit of the loans should be reviewed on an annual basis. This may vary between locations since the size of loans depends on the types of business opportunities available in each village, the entrepreneurial and technical skills of the borrowers, and the amount of risk that they wish to take can vary depending on the local situation. Those willing to borrow above LE2000 should be encouraged to graduate to formal financial institutions, such as NBD, with their good credit record in FDF as a certificate. UNICEF and the CDAs should help them do this and encourage sensitization and training of borrowers in this direction.
- Opportunities to graduate the borrowers to financial institutions such as NBD after a period of four to five years should be explored.

**Box A6. Actions to improve convergence and impact at the local-level**

Water supply and sanitation

- an additional window for lending through the FDF for the purposes of getting piped connections into the household and building latrines;
- imparting hygiene education through the training of extension workers;
- ensuring that all community schools in the FDF project areas have a water source and a latrine.

Health

- promoting the use of monthly visits by a mobile health clinic in the FDF project areas;
- promoting visits by local medical officers to discuss health issues with the borrowers in the groups meetings;

Education

- promoting primary school attendance of all children of borrowers, particularly girls.
- monitoring drop-out from primary schools in the group meetings.
- promoting through discussions in center meetings, parent-teacher meetings and its importance for improving the quality of education.
- imparting messages on early childhood education and development through training of extension workers.

Gender and social awareness and social mobilisation

- developing a set of key social messages that should be imparted to the borrowers, including those on women and child rights;
- training of selected anchor women on social issues and as community leaders for imparting issues of social concern.
- advocating to stop female genital mutilation

## **6. Institutional structure of the FDF**

Figure 1 provides the current institutional structure of the FDF at the local level and the structure envisaged at the national and intermediary level in this management plan. In the three Governorates of Upper Egypt there are 11 CDA's, 2 management committees and 11 loan committees covering 21 villages or district centres for lending activities. In each of the four district level CDAs, there is an accountant, cashier and project manager. Their salaries and those of the 31 extension workers are covered by the FDF. In addition, the transportation costs of the management committee in Farshoot and El Wakf districts is also paid by their respective CDAs. The accounting and management is done at the aggregate level of the four mother CDAs - El Aziza, Dar-el Salam, Farshoot and El Wakf. This institutional structure, which has some variation across the districts, is partly a reflection of the gradual development of the FDF and local-level considerations in the formation of the board of directors.

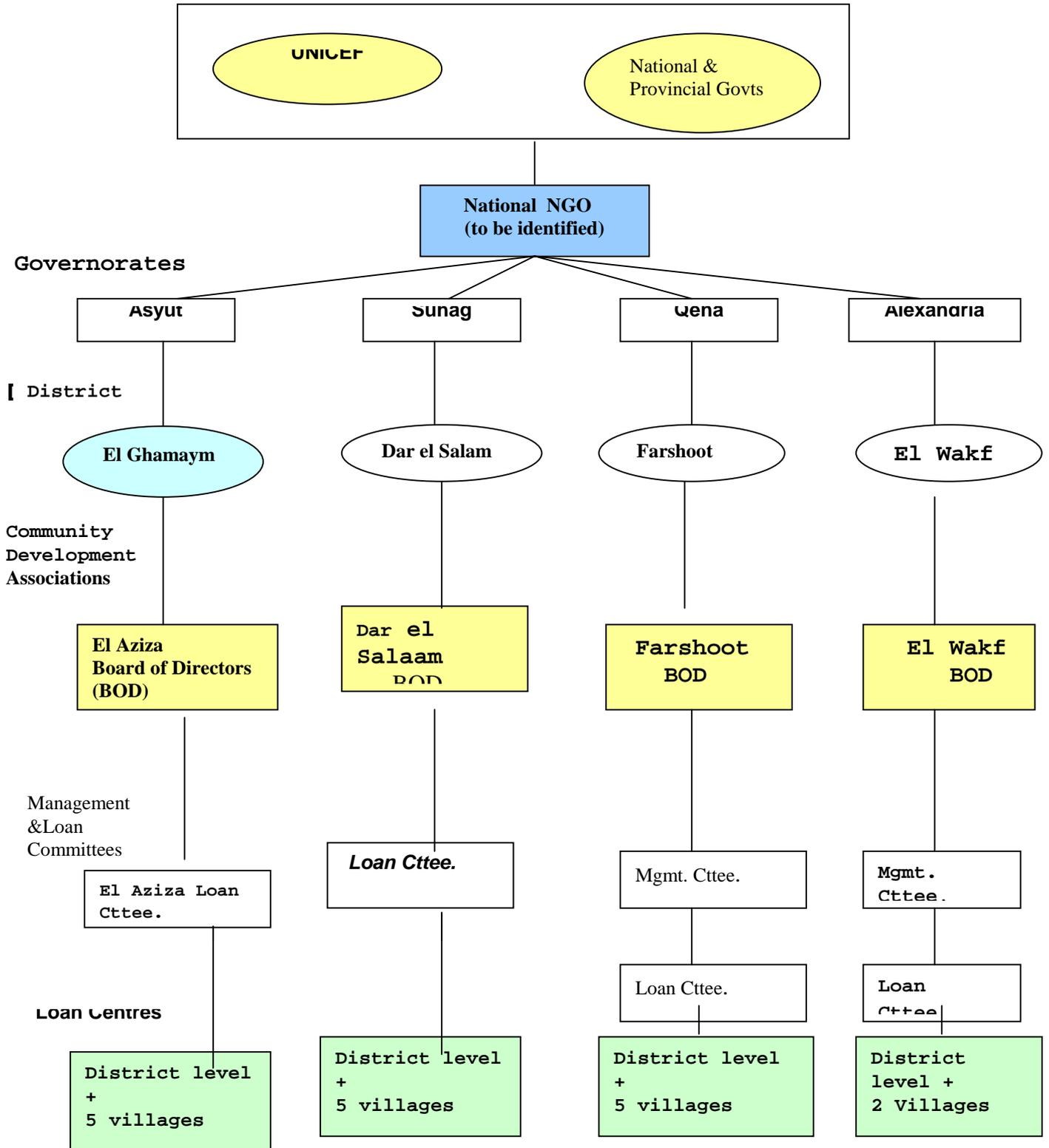
The success of microcredit programmes depends very much on a long-term commitment. For the long-term sustainability of the FDF model, stronger institutional linkages are required at the national level and for its overall management.

Having experimented with the National Bank for Development as a possible partner and found this not to be viable for enhancing socio-economic impact, UNICEF has successfully developed a model which relies on community participation at the grassroots level. However, the model is heavily dependent on UNICEF's input. For further expansion of this model, making it manageable and entrenching it in national structures, there is a need for partnership with an organisation or body at the national level.

In the future, it is important that the structures at the district and local-level are consistent across the different Governorates for both clear management and control of costs. In any event, if the FDF is first expanded and consolidated in the existing villages by covering all potential borrowers, there should not be a need to alter or expand the number of mother CDAs that exist at the district level.

The present structure of the FDF relies on heavy involvement and oversight by UNICEF. While the Governorates recognise the FDF to be their project and UNICEF has continuously interacted with them in the development of FDF, there is little explicit involvement, responsibility and accountability. Similarly, while ORDEV has provided funds for one of the Governorates and has been fully appraised of the development of FDF, it is not formally involved in policy making, management or oversight. For future expansion, it is important that the FDF is rooted in a institution at the national level in addition to the participation of the office of the Governorates.

**Figure 1**  
**Institutional Structure of the Family Development Fund, Egypt**



### National level institutional linkage

The possible institutional partners at the national level (the Governorates are at the provincial level) are: Banks such as NBD; ORDEV; and Ministry of Social Welfare and non-bank financial intermediaries.

With the exception of the NBD and Nasser Social Bank, there is little interest of the commercial banks at present to provide credit to the poor. UNICEF has already experimented with the NBD which is successfully carrying forward with the experimentation but there remain concerns about its ability to target the poorest and those without any skills or training. Also, there is no opportunity to link credit with social messages or basic social services through the NBD. The Nasser Social Bank has already expressed an interest to provide small loans to the poor but its network at the local level is limited. The interest expressed by the government to set up a bank for the poor is not being pursued at present. However, the Social Fund is expected to increase its support for microcredit.

**BOX 1 - Options for formal institutional linkage at the national level**

- Organization for Rural Development (ORDEV)
- Ministry of Social Affairs (MOSA)
- ORDEV and MOSA
- Pro-poor bank - NBD, Nasser Social Bank
- Non-bank financial intermediaries

Both MOSA and ORDEV provide small loans. MOSA, which regulates all the CDAs, provides credit for income generation activities and training of beneficiaries also through CDAs. However, their approach and target groups vary from those of the FDF.

ORDEV under the Sherouk programme provides loans through its Local Development Fund (LDF) to men, women and youths for income-generating activities. These loans are channelled through the Sherouk committees at the local level comprising of on occasion up to 60 people. With the objective of improving the targeting of the poor, ORDEV plans to set up institutional structures at the local level under the co-operative law. This will involve the setting up of a Production Co-operative Union (PCU). Egypt has an existing law on Production Co-operative (Law 110, 1975) which allows any Governorate with two or more production co-operatives to set up a united society at the Governorate level. ORDEV intends to use this mechanism for the expansion of microcredit in the villages and Governorate level. There is a likelihood that the PCU structure, if implemented, will become a parallel and competitive structure to the existing CDAs. Moreover, ORDEV in its LDF credit programme provides loans to the CDAs which must be returned to it after a period of time. This means that there is no long-term commitment of loans to the borrowers.

ORDEV is also following the government policy of providing loans at a rate of 6% as announced by the First Lady. It was indicated by ORDEV that this rate is adequate to cover the costs of operation. In discussions, UNICEF has advocated for the charging of a rate of interest which covers the operating costs and is at least equal to the market rate of interest. The Director General of ORDEV indicated that the below market rate of interest of 6% applied only

to the first year. For subsequent years the market rate of interest would be charged. A similar issue was raised with the Minister for Social Affairs, where also it was felt that the poor should be given below market rates of interest. Such a policy differs from that of FDF.

UNICEF needs to identify institutional partners at the national level. Both MOSA and ORDEV could conceivably be such a partner. At the same time, UNICEF needs to work with both these ministries but avoid extensive bureaucratisation of FDF. Under these considerations, it appears that there may be no single national institutional partner in the short-term and UNICEF will need to continue with the current structure, inter-acting with the Governorates. At the same time it needs to continue exploring the possibilities for a national partner which can take on responsibility for the FDF and has resources to expand it to a larger scale. The difficulty in finding a suitable partner at the national level reflects the absence of appropriate banking or non-bank financial intermediaries such as trust companies or credit unions in the country. This missing institutional link in taking microcredit to scale on a sustainable basis is often a major problem in many developing countries.

#### National NGO for overall management

While it is possible to conceive that the scheme may be managed by a department at the Governorate level, in view of the number of constraints, such an arrangement may not be preferable. Instead, it may be useful to manage the FDF through a national NGO. This NGO would carry the responsibility for overseeing the overall management of FDF and providing clear accountability. Day-to-day management is presently highly decentralised to the CDA level which has its advantages and should be maintained. The role of this intermediary organisation would be essentially to: (i) ensure oversight and timely reporting; (ii) manage the training needs; (iii) ensure implementation of policies and procedures.

For the overall management of FDF, UNICEF Egypt needs to identify possible national NGOs which have the capacity, credibility and accountability to take on this task. This is particularly important if the FDF is to expand since UNICEF has limited staff available to do this job.

Possible NGO partners at the national level are: (i) the businessmen's association; (ii) businesswomen's association; (iii) Upper Egypt Association; (iv) CEOSS; and (v) Caritas. The businessmen's association has often been identified as a likely NGO. However, this is primarily an urban based organisation and its interests may not correspond with the social objectives at the local level. The businesswomen's association is still very new. CEOSS and Caritas are large organisations which are already working for other donor agencies in microcredit. The Upper Egypt Association, has been mentioned as a good possibility with considerable outreach and credibility. This option needs to be explored further. The cost of operation of any NGO which is ultimately selected should be recovered as far as possible from the interest rate charged to the borrowers via the CDAs. This may mean raising the interest or administrative charges on the loans to the borrowers.

## 7. Expansion of the FDF

At present, the FDF is spread too thinly across the villages and borrowers. For enhancing impact, there should be adequate funds for those accepted into the programme for both repeat and higher levels of borrowing (up to a defined limit).

Most microcredit schemes specify the loan amount that must be taken by borrowers after each round of borrowing. This allows the scheme to ensure that there will be adequate funds for all borrowers accepted in the scheme. The FDF, however, allows for flexibility in the size of the loan at each round of borrowing. This has the advantage of attracting the very poor and leaving the choice of the size of the loan to the borrowers depending upon their ability to engage in profitable activities and their risk-preference. But this poses a problem in terms of the management of the fund, ensuring that all borrowers accepted in the scheme will be able to get a loan, and that there will be adequate funds for larger size loans. The FDF needs to expand through additional grant funding from donor and multilateral agencies to ensure that all those currently accepted into the FDF programme are guaranteed repeat borrowing say for at least 5 cycles (years). Additional donor grant funding is also needed to ensure sustainability and enhance impact. Any additional funds should first be used for consolidating and saturating demand in the existing locations prior to further expansion.

### **BOX A8 - Some issues in the expansion of FDF**

- In light of experiences and other national initiatives develop a clear statement of UNICEF medium-term objective in microcredit in Egypt.
- Identification of source for and mobilization of additional funds for the FDF programme.
- Determine target number of borrowers based on demand in existing areas and strategies to meet this demand.

The following underlying criteria may be relevant in considering the further expansion of FDF.

- flexibility in loan size
- guaranteed successive loans
- pre-determined minimum-maximum loan sizes, depending on type of income-generating activities at each location
- scope for increasing the loan size over time
- ease of management, accounting and reporting.

It is not easy to fulfil all of the above criteria simultaneously. Annex A2 gives an indication of the options available and the related trade-offs. An appropriate option needs to be adopted in consultation with the CDAs.

## 8. Ensuring financial sustainability of the FDF

Some of the key operating and performance indicators of the FDF (Table 6 of the impact assessment study) should be monitored on a quarterly basis. In comparison with the previous year, the table shows the following:

- UNICEF has invested a total of US\$455,000 in the FDF, of which \$100,000 is in the urban scheme in Alexandria. Only \$30,000 was invested in 1997 in El Wakf.
- The US\$30,000 received as a loan from ORDEV for El Aziza was repaid in 1997. ORDEV has a policy of recovering all the amount that it provides as funds for microcredit and passing it on to other districts. This policy enables ORDEV to cover a number of districts and villages, but if the loan is not available on a regular basis, it is highly unlikely that there will be a sustainable impact on the lives of the borrowers. In a single year it is unlikely that the borrowers will be able to increase their asset base. Consequently, careful consideration should be given to the benefit of accepting funds on such terms in the future. It is likely that in the long-term it deflates expectations of those who receive a loan from such funds.
- The number of borrowers reported by FDF (excl. Alexandria) in 1996 was 3589. In 1997 this number has declined to 3072. Moreover in both years there are a number of first time borrowers. This substantiates the observation made earlier that the FDF does not have a policy of ensuring that those accepted into the scheme are ensured repeat loans. Because of the demand pressure, a number of people are given a first loan and then have to wait several months. Although the funds have been invested since 1994, there are only 365 third and fourth time borrower.
- 1.6 times more loans were disbursed in comparison to the borrowers in 1997. This suggests that some borrowers repaid earlier and received a second loan in the same cycle.
- Repayment rates have fallen in aggregate, in particular for Dar el Salam. This should be a cause for further investigation and the reasons, thereof, must be addressed immediately.
- Because of the low recovery rates in Dar el Salam, the ratio of operating costs to interest earned is also much higher than other locations at 92%. Farshoot on the other hand has much better recovery rates and control over operating expenses.
- The ratio of operating costs to loans outstanding, which is a measure of whether the interest rate charged is adequate, is much higher for El Wakf at 18.35%. Although, in aggregate this is 12% for all locations, effort must be made to bring the rates of individual locations in line with the norm. A key factor responsible for this may be that the capital is not fully loaned out at the end of the year.
- The ratio of aggregate operating costs to capital invested is an average 8.8%. At the time

of initial allocation of capital this is budgeted at 12%. The fact that this has been brought down suggests that there should be some scope for meeting the costs of a national NGO for the overall management of the FDF from the current rate of interest charged.

- As the number of borrowers accepted into the scheme has expanded, there has been a rapid expansion of groups, even though the amount of funds available for lending has not grown. The group concept has found much popularity with the women and provides a good entry point for imparting social messages and training women.
- The borrower/extension officer ratio has also gone down from earlier years. Each extension worker covered fewer borrowers in 1997 than in 1996. In some locations there is reason to be concerned that there are more extension officers than is warranted. A target of 120 to 150 would seem to be ideal depending on the district and the distances. In any event, no further increase in the number of extension workers should be undertaken unless the scheme expands significantly. All staff increases should be authorized by UNICEF.
- Annex A1 provides the consolidated balance sheet and income and expenditure statement of FDF (excl. Alexandria). It reaffirms that savings have been low and there is a need to accelerate efforts to mobilise savings for the growth of FDF.
- The insurance fund is now no longer factored out to a insurance company.
- Salary structure and incentive mechanisms. The only persons paid from the FDF are the extension workers, the CDA project manager, cashier and accountant. The expenses of the Board of Directors to attend meetings are also covered by the FDF. In addition, UNICEF organizes one training meeting each year for all FDF staff in Alexandria. This serves as a major incentive for the staff and they all look forward to it. In part, this appears to compensate for the generally low salaries paid in the FDF but most of the extension officers find working in FDF quite rewarding in other respects. It would be useful to consider alternate incentive for the FDF staff. These must be developed in consultation with the CDAs and without excessively taxing the salary structure and motivation of staff.
- Accounting, auditing and financial management. The finances of FDF are managed by the accountants in each of the locations. Auditing is carried out by external auditors and a consultant. UNICEF covers the cost of auditing and preparation of the annual statements. It is important that there is quarterly monitoring of the key performance indicators, including cash in the bank and outstanding loans. A nationally certified independent auditor should be engaged for the annual audit. In accordance with national legislation, the auditor should carry responsibility for providing a true and fair statement of the financial position of FDF on which UNICEF and other partners can rely.

## 9. Training

In its formative years considerable investment was made by UNICEF to provide training for the FDF staff and borrowers. In 1997, a total of about \$74,000 was incurred in training, monitoring and auditing of the FDF in addition to the support provided by UNICEF's own staff members (Annex A3). The significant elements of these costs are: (i) annual FDF meeting in Alexandria; (ii) consultancy for health and hygiene education training; (iii) debt management training; (iv) leadership training for the groups; (v) auditing; and (vi) field co-ordinator's monitoring and follow-up.

These costs represent about 16% of the total investment made by UNICEF in FDF. In future years, attempt should be made to bring these costs down to a benchmark figure of about 10% of the total investment or about \$50,000 for the current level of investment. Box A9 provides some considerations in developing the training plan for FDF.

### **BOX A9 - Considerations in developing the training plan**

- Only the training which is likely to have a significant impact should be undertaken;
- Establish links with the on-going training provided by MOSA to bring their trainers to the FDF locations or send the extension workers for the training supported by MOSA. The Minister of Social Affairs made a specific commitment to allow FDF to take advantage of their training system. This offer should be explored.
- Seek additional donor funding for capacity building through FDF. Future donor funding proposals should include at least 10% of the loan capital per annum for capacity building and monitoring.

## 10. Costs and funding requirements

Further expansion of the FDF programme will entail costs and additional funds. A key consideration is what should be UNICEF Egypt's long-term objective in supporting microcredit in Egypt. The FDF has demonstrated that it is possible to develop a viable group-based lending system in Egypt which can sustain itself financially. It has had an influence on other partners in the country. Although improvements are needed to enhance impact, the efficacy of credit as an entry point for improving the situation of women and children has been demonstrated. The likelihood that other partners in the country such as ORDEV will adopt the FDF model on a larger scale suggests that it can be replicated. However, the model that is replicated should be enhanced by the further improvements that are needed as noted in this management plan.

UNICEF does not expect to be a major provider of credit in Egypt. Its catalytic support for credit is intended to reach the unreached and show how through credit linked with basic social services within a group-based system significant improvements can be made in the situation of women and children. With this model and technical expertise, UNICEF can continue to provide support for credit for the unreached.

But even for the current programme, UNICEF needs to actively explore possibilities for

additional funds for expansion in the existing locations, in the first instance. Thereafter, expansion in new areas within and around existing villages in order to reach more of the unreached in a cost-effective manner can be considered.

FDF needs to expand and have more outreach if it is to go beyond a small scale pilot programme and be shown to be replicable on a larger scale. It must aim to double in terms of the number of borrowers in the next 2-3 years. But any expansion of FDF will require capital injection - for lending and operating. At least another \$ 1 million should be sought over the next 2-3 years. It should be possible to absorb this amount. As noted above at a rate of 10% for covering capacity building costs, any funding proposal for the above amount must include an additional \$0.5 million over the following five years. In addition, further expansion will require support for at least two full time national staff members within UNICEF whose role will be primarily one of oversight, policy development, review and most importantly working to ensure convergence with basic social services at the village level. Future funding proposals should include these costs. Therefore, the short-term aim of FDF should be to mobilise additional \$2 million from donors for the FDF to double its borrower base in the next two to three years.

## **11. Monitoring and evaluation**

There are significant costs related to monitoring, oversight and evaluation. By instituting regular oversight, accounting and auditing procedures, FDF has been transparent in its operations. Sound monitoring, early warning systems and timely corrective actions are essential for a sustainable microcredit scheme. However, such systems are costly and have to be met in the initial stages from grant funds. Attempts should be made to build as much of the monitoring as possible into the routine management system of the FDF. Future evaluations and impact assessments can be spaced further apart unless there are particular reasons to conduct them earlier.

A clearly defined set of indicators needs to be identified and monitored at each of the following levels. (i) Loan committee; (ii) Board of Directors; (iii) National NGO; (iv) UNICEF, Governorate and national government counterpart agency. Every attempt should be made to avoid duplication. In fulfilling donor reporting requirements, it is suggested that multiple reports may be avoided so that the programme is not burdened with these additional costs. Instead, proper accounting, auditing, performance measurement and monitoring and evaluation of the entire programme on an annual basis should form the basis for external reporting. For this purpose, it would be helpful if a set of baseline data covering the specific objectives noted above is included in the background data that is currently collected on the borrowers.

## 12. Summary of Recommendations, Actions, Responsibilities and Target Implementation Date

Recommendation	Actions for improvement	Responsibility for action	Timing (Target Completion date)
1. The overall objective of the FDF need to be made more specific to allow for monitoring impact in the short and medium term.	< Agree upon a limited set of specific objectives of the FDF in consultation with the CDAs	➤ UNICEF	➤ 09/98
2. The FDF has been successful in targeting poor women. However, priority needs to be given to target poor women with young children.	< Agree on this policy change with CDAs < Revise the loan manual criteria for selection of borrowers < Implement the policy	➤ UNICEF/CDAs ➤ UNICEF/CDAs ➤ CDAs	➤ 10/98 ➤ 11/98 ➤ 01/99
3. Borrowers selected for first time loans should be assured repeat loans for a period of four to five years prior to giving loans to new borrowers.	< Agree on this policy change with CDAs < Design the lending system to ensure balance between flexible loan size, guaranteed repeat loans, increasing loan size and fully funded and loaned out scheme. Identify the trade-off necessary. X Implement the revised system	➤ UNICEF/CDAs ➤ UNICEF/Consultants ➤ UNICEF/CDAs	➤ 10/98 ➤ 11/98 ➤ 01/99
4. Improvements in the health situation of borrowers, both before they received a loan and in comparison to non-borrowers, have been observed. However, there is less improvement in the other areas such as primary school attendance and water and sanitation. In part, this is because of a lack of convergence between the different programmes in the target communities. Improved linkages are needed.	< Identify with each sectoral cluster in UNICEF the additional actions that can be taken with available resources. Promote convergence between basic social services and credit in each location.	➤ UNICEF ➤ UNICEF/CDAs/GOE	➤ 10/98 ➤ 01/99
5. A limited set of impact indicators should be identified and monitored annually. Some of the indicators can be monitored by the CDAs such as primary school attendance of girls.	< Identify one impact indicator for each specific objective < Ensure baseline data is collected on these indicators prior to granting the first loan < Monitor against the baseline indicator at periodic intervals using the FDF extension workers to collect the data.	➤ UNICEF ➤ CDAs ➤ UNICEF/CDAs	➤ 09/98 ➤ 10/98 ➤ 11/99

<p>6. One of the strength and distinguishing features of the FDF is its local-level institutional base. For long-term sustainability, there is also a need to link the FDF to an institutional structure at the national level.</p>	<ul style="list-style-type: none"> <li>&lt; Identify possible national NGOs for management of FDF, including assessment of their capacity and additional training needs to manage FDF.</li> <li>&lt; Estimate cost of their management and how the costs can be covered from any additional funds injected into FDF.</li> <li>&lt; Sign agreements with NGOs.</li> <li>&lt; Gradually phase the overall management to the national NGO.</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF</li> <li>➤ UNICEF/NGO</li> <li>➤ UNICEF</li> <li>➤ UNICEF/NGO</li> </ul>	<ul style="list-style-type: none"> <li>➤ 08/98</li> <li>➤ 09/98</li> <li>➤ 12/98</li> <li>➤ 11/98</li> <li>➤ 01/99</li> </ul>
<p>7. At the intermediary level the overall management of the FDF should be gradually transferred to an umbrella NGO.</p>	<ul style="list-style-type: none"> <li>&lt; Continue to explore possible NGO partners, assess their capacity to manage and costs entailed.</li> <li>&lt; Identify any training needs and related cost-benefits.</li> <li>&lt; Develop formal agreements between the national level NGO and UNICEF and between the NGO and CDAs.</li> <li>&lt; Identify role, task and monitoring of the NGO.</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF</li> <li>➤ UNICEF/NGO</li> <li>➤ UNICEF/NGO</li> <li>➤ UNICEF</li> </ul>	<ul style="list-style-type: none"> <li>➤ 10/98</li> <li>➤ 11/98</li> <li>➤ 12/98</li> <li>➤ 01/99</li> </ul>
<p>8. Group formation and group solidarity has been built. It needs to be further strengthened through additional training of groups.</p>	<ul style="list-style-type: none"> <li>&lt; Identify components of this training package and costs</li> <li>&lt; Identify consultants to prepare training material and train groups.</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF/CDAs</li> <li>➤ UNICEF/Consultants</li> </ul>	<ul style="list-style-type: none"> <li>➤ 10/98</li> <li>➤ 12/98</li> </ul>
<p>9. The FDF is presently financially sustainable, in terms of high loan recovery rates and covering its operating costs, but there is need for on-going monitoring.</p>	<ul style="list-style-type: none"> <li>&lt; Formalize the key performance indicators to be monitored at each level.</li> <li>&lt; Ensure periodic reporting and monitoring at each level.</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF</li> <li>➤ All levels/ UNICEF</li> </ul>	<ul style="list-style-type: none"> <li>➤ 10/98</li> <li>➤ 11/98</li> </ul>
<p>10. The operating costs of the FDF needs to be monitored regularly. There is scope for reducing these costs.</p>	<ul style="list-style-type: none"> <li>&lt; Identify with the CDAs the optimum and affordable staff ratios in each location depending on number of borrowers.</li> <li>&lt; Either increase funding to absorb excess staff or put some extension workers on temporary</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF/CDAs</li> <li>➤ UNICEF/CDAs</li> </ul>	<ul style="list-style-type: none"> <li>➤ 09/98</li> <li>➤ 10/98</li> </ul>

	leave without pay until such time as additional funding can be obtained.		
11. The FDF needs to give special effort to mobilise increased savings from borrowers.	<ul style="list-style-type: none"> <li>&lt; Revise savings mobilization policies and strategies                             <ul style="list-style-type: none"> <li>- Agree on policies for lending from savings.</li> <li>- Agree on policies regarding re-imbursement of savings in the event the borrower wishes to leave FDF and any interest to be paid on the deposit.</li> </ul> </li> <li>&lt; Work with CDAs to mobilize additional savings.</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF/CDAs</li> <li>➤ UNICEF/CDAs</li> </ul>	<ul style="list-style-type: none"> <li>➤ 10/98</li> <li>➤ 01/99</li> </ul>
12. Women borrowers should get literacy training at the centres.	<ul style="list-style-type: none"> <li>&lt; Identify scope and cost-effective options for literacy training.</li> <li>&lt; Training of trainers for literacy classes.</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF/GOE</li> <li>➤ UNICEF/GOE</li> </ul>	<ul style="list-style-type: none"> <li>➤ 09/98</li> <li>➤ 01/99</li> </ul>
13. Assessment of the scope for other farm and non-farm activities and support for diversification in productive activities and upgrading of skills is needed.	<ul style="list-style-type: none"> <li>&lt; In regions where there is heavy concentration in a limited set of activities, work with local businessmen's association, NGOs to visit centers and discuss opportunities for diversification.</li> <li>&lt; Consider a very focused assessment using local NGOs of the skills, market demand, and possible income generating activities for women.</li> <li>&lt; Link with other NGOs/ INGOs and donors such as ILO to provide skills training for women.</li> <li>&lt; Train CDA staff in preparing feasibility plans for alternate income-generating activities</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF/ Governorates/ Local NGOs</li> <li>➤ UNICEF</li> <li>➤ UNICEF</li> <li>➤ UNICEF</li> </ul>	<ul style="list-style-type: none"> <li>➤ 09/98</li> <li>➤ 10/99</li> <li>➤ 10/98</li> <li>➤ 01/99</li> </ul>

<p>14. Consideration should be given to providing other credit facilities to women for capital investment in water supply and sanitation.</p>	<ul style="list-style-type: none"> <li>&lt; Explore scope for additional loan capital from alternate sources in areas where water and sanitation are a major concern.</li> <li>&lt; Loan for improved water and sanitation, while given through the FDF should be accounted for separately.</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF/GOE</li> <li>➤ UNICEF/Partners</li> </ul>	<ul style="list-style-type: none"> <li>➤ 10/98</li> <li>➤ 01/99</li> </ul>
<p>15. Further training of the extension workers and CDA officials could be promoted.</p>	<ul style="list-style-type: none"> <li>&lt; Identify priority courses, training plan and impacts expected.</li> <li>&lt; Explore the scope of tapping into the on-going training provided by MOSA</li> <li>&lt; Provide training to extension workers.</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF/CDAs/ Governorates</li> <li>➤ UNICEF/ MOSA</li> <li>➤ UNICEF/Partners</li> </ul>	<ul style="list-style-type: none"> <li>➤ 08/98</li> <li>➤ 08/98</li> <li>➤ 01/98</li> </ul>
<p>16. Future expansion of the FDF should first be in the existing locations instead of new regions.</p>	<ul style="list-style-type: none"> <li>&lt; Examine in light of the considerations as and when additional funds are available</li> <li>&lt; Examine in light of the need to prioritise women with young children.</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF/CDAs</li> </ul>	<ul style="list-style-type: none"> <li>➤ 1999</li> </ul>
<p>17. A study to analyse the situation of the ultra-poor in the target villages, reasons for their not accessing the FDF credit and what income generating activities or other actions can be promoted to impact on their lives may be undertaken.</p>	<ul style="list-style-type: none"> <li>&lt; Consider a possible analysis in conjunction with an assessment of the situation of women and children in Egypt and social policies to reach the poorest and vulnerable.</li> </ul>	<ul style="list-style-type: none"> <li>➤ UNICEF</li> </ul>	<ul style="list-style-type: none"> <li>➤ 1999</li> </ul>

**Annex A1: Consolidated Balance Sheet of the FDF as at 31 December 1997 (Egyptian Pounds LE)**

<b>ASSETS</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Equity &amp; Liabilities</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
<b>Current assets:</b>					<b>Grants:</b>				
* Loans receivable	328,337	760,727	859,955	912,495	* Grants for loans	436,590	884,070	964,550	964,550
* Cash (Bank Acc.)	163,812	273,962	302,227	299,648	* Grant for Admin.	59,580	120,600	120,600	120,600
* Other loans				500	* Other grants				4,500
<b>Sub-total</b>	<b>492,149</b>	<b>1,034,689</b>	<b>1,162,182</b>	<b>1,212,643</b>	<b>Sub-total</b>	<b>496,170</b>	<b>1,004,670</b>	<b>1,085,150</b>	<b>1,089,650</b>
<b>Fixed &amp; Other Assets:</b>					<b>Income Earned:</b>				
* Furniture&other assets	7,019	12,410	10,966	10,561	* Net income/dificit	3,669	8,299	25,745	30,028
* Start up capital costs	3,783	2,837	1,891	945	* Accumulated surp.	0	3,669	11,968	37,713
<b>Sub-total</b>	<b>10,802</b>	<b>15,247</b>	<b>12,857</b>	<b>11,506</b>	<b>Sub-total</b>	<b>3,669</b>	<b>11,968</b>	<b>37,713</b>	<b>67,741</b>
					<b>Liabilities:</b>				
					* Saving fund	2,987	32,078	48,462	65,510
					* Other payables	125	1,220	3,714	1,248
					<b>Sub-total</b>	<b>3,112</b>	<b>33,298</b>	<b>52,176</b>	<b>66,758</b>
<b>Total Assets</b>	<b>502,951</b>	<b>1,049,936</b>	<b>1,175,039</b>	<b>1,224,149</b>	<b>Total Equity &amp; Liabilities</b>	<b>502,951</b>	<b>1,049,936</b>	<b>1,175,039</b>	<b>1,224,149</b>

**Consolidated Income Statement (Egyptian pounds LE)**

<b>EXPENSES</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>REVENUE</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
* Salaries, incentives,	29,656	57,340	69,031	84,129	* Interest earned	18,456	63,429	95,492	117,096
* Stationary&copying	2,020	8,029	2,741	5,965	* Insurance collected	6,394	40,227	40,194	32,502
* Committee meetings	305	2,855	2,065	3,380	* Income from bank inte.	22,258	0	1,224	4,919
					* Other revenue.			60	
* Rent & utilities	630	2,425	3,327	4,442	<b>Sub-total</b>	<b>47,108</b>	<b>103,656</b>	<b>136,970</b>	<b>154,517</b>
* Transportation	3,787	4,272	7,227	7,923					
* Miscellaneas	1,536	1,740	3,088	1,947					
* Bank Charge	158	720	234	215					
* Insurance Exp.	3,812	15,587	21,123	13,983					
* Depreciation of exp.	589	1,443	1,443	1,559					
* Amortization of start up	946	946	946	946					
<b>Sub-total</b>	<b>43,439</b>	<b>95,357</b>	<b>111,225</b>	<b>124,489</b>					
<b>* Net Income</b>	<b>3,669</b>	<b>8,299</b>	<b>25,745</b>	<b>30,028</b>	<b>Deficit for the year</b>				
<b>TOTAL</b>	<b>47,108</b>	<b>103,656</b>	<b>136,970</b>	<b>154,517</b>	<b>TOTAL</b>	<b>47,108</b>	<b>103,656</b>	<b>136,970</b>	<b>154,517</b>

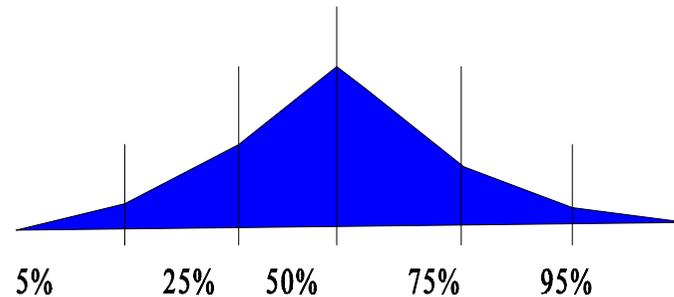
**Consolidated Cash Flow**

<b>Cash receipt</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Cash outlays</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
<b>Opening balance Jan. 1st.</b>	0	163,812	273,962	302,227	* <b>Loans disbursed</b>	443,250	1,071,277	1,008,226	992,500
					* Current expenses	37,967	76,346	85,158	110,467
<b>Cash collected during year</b>					* Insurance Exp.	3,812	15,587	21,123	13,983
* Collected installments	114,913	638,887	908,998	939,960	* Saving repaid	112	1,268	8,599	12,758
* Interest collected	18,456	63,429	95,492	117,096	* Fixed assets	7,608	6,834	0	1,154
* Collected Insurance	6,394	40,227	40,194	32,502	* Start-up expenditure	4,729			
* Saving collected	3,099	30,359	24,983	29,806	* Saving fund loans				500
* Grant to cover loans	436,590	447,480	80,480						
* Grant to cover Admin.	59,580	61,020	0	4,500					
* Other grants	0	0	0	0					
* Income from bank inte.	22,258	0	1,224	4,919					
* Other cash receipt		60							
					Balance end of year	163,812	273,962	302,227	299,648
<b>Total</b>	<b>661,290</b>	<b>1,445,274</b>	<b>1,425,333</b>	<b>1,431,010</b>	<b>Total</b>	<b>661,290</b>	<b>1,445,274</b>	<b>1,425,333</b>	<b>1,431,010</b>

## Annex A2: Options for Distribution of Loans

- (i) Flexibility in loan size
- (ii) Guaranteed successive loans
- (iii) Pre-determined minimum-maximum loans sizes depending on type of income-generating activities at each location.
- (iv) Scope for increasing loan sizes over time.
- (v) Ease of management, accounting and reporting.

- Option 1. Fixed size of loan at each cycle  
For example, Year 1 - LE500; Year 2 - LE750; Year 3 - LE1000; Year 4 - LE1500  
Meets criteria (ii) to (v) but not (i).
- Option 2. No fixed loan size with the lower and upper limits - full flexibility - current system  
Meets criteria (i), (iii); (iv) and (v) but not (ii).
- Option 3. Normalised distribution of loans Meets criteria (i) to (iv) but not (v).



For example, total amount of loans distributed can be as follows:  
LE 100-250:5%; LE 251- 500:20%;  
LE501-1000:50%; LE1001-1250:20%; LE1251-1500:5%.

**Annex A3: Training, Monitoring and Auditing cost of the FDF in 1997**

ITEM	CONSULTANT FEE	TRANS.& DSA	TRAINEES EXPEN.	Other	TOTAL	Number of participants
<b>A. NGO Training (1997)</b>						
<b>A.1. Off-site</b>						
* Financial training (Assiut)	\$1,000.00	\$-	\$2,745.00	\$-	\$3,745.00	16 staff member
* FDF review meeting	\$1,350.00	\$238.00	\$14,835.00	\$-	\$16,423.00	60 board & staff members
<b>A.2. On-site</b>						
* Health & hygiene education (bene., & staff)	\$9,970.00	\$11,640.00	\$-		\$21,610.00	Extension officers & Bene.
* Debt Management	\$3,560.00	\$4,255.00	\$594.00	\$-	\$8,409.00	43 staff members
* Problem solving	\$980.00	\$-	\$-	\$-	\$980.00	30 board members
* Leadership for beneficiaries	\$2,670.00	\$2,180.00	\$-	\$-	\$4,850.00	300 group&center leaders
<b>B. Auditing</b>	\$2,560.00	\$3,336.00	\$-	\$-	\$5,896.00	FDF beneficiaries
<b>C. Field Coordinator (Monitoring &amp; fol.)</b>	\$4,415.00	\$8,047.00	\$-	\$-	\$12,462.00	FDF beneficiaries
<b>TOTAL</b>	<b>\$26,505.00</b>	<b>\$29,696.00</b>	<b>\$18,174.00</b>	<b>\$-</b>	<b>\$74,375.00</b>	

**Training plan for 1998:**

**1. Board and Staff of the FDF program:**

- a. Proposal writing, and fund raising
- b. Planning, monitoring, and evaluation
- c. Creative thinking
- d. Financial planning, and reporting
- e. Conducting market study, and business plan.
- f. conflict resolution and group dynamics

**2. FDF beneficiaries:**

- a. Gender, Women and Children's rights
- b. Health, and hygiene education
- c. Increase production technique, and diversifying investments.